The Common Sense of Municipal Trading.

By Bernard Shaw.

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PREFACE

THERE is a child's schoolbook, which I have never seen, entitled Reading Without Tears. I am half tempted to borrow from its author to the extent of calling this book Municipal Trade Without Figures. At all events, there are no figures in this book; and the reader will soon learn from it that the figures with which he has been so grievously pelted from other quarters do not matter. The question whether municipal trading is sound in principle cannot be settled by the figures of this or that adventure in it, anymore than the soundness of banking or insurance can be settled by the figures of this or that big dividend or disastrous liquidation. Besides, the balance sheet of a city's welfare cannot be stated in figures. Counters of a much more spiritual kind are needed, and some imagination and conscience to add them up, as well.

I hope nobody will be deterred from reading this book by the notion that the subject is a dry one. It is, on the contrary, one of the most succulent in the

whole range of literature. If I, a playwright and philosopher by profession and predilection, have found it not only possible but interesting to spend my afternoons for six years in the committee rooms of a suburban Vestry and Borough Council to gain the practical knowledge which is at the back of this little book, the most romantic of my literary customers may very well endure to hear me draw the moral of my experience for four hours.

I purposely send the book out on the eve of the London County Election. That election will turn on two main themes: Municipal Trading and the Education Act. Mr. Sidney Webb has just issued a concise book on London Education. I offer this as a complementary treatise on municipal trading. If the elector will carefully study both, and strictly abstain from the newspapers on both subjects until after the election, he will, I venture to hope, vote with his eyes as widely and impartially opened as anything short of practical first hand municipal experience can open them.

G. B. S.

London,
February 1904.

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I

THE COMMERCIAL SUCCESSES OF MUNICIPAL TRADING

MUNICIPAL TRADING seems a very simple matter of business. Yet it is conceivable by a sensible man that the political struggle over it may come nearer to a civil war than any issue raised in England since the Reform Bill of 1832. It will certainly not be decided by argument alone. Private property will not yield its most fertile provinces to the logic of Socialism; nor will the sweated laborer or the rackrented and rackrated city shopkeeper or professional man refrain, on abstract Individualist grounds, from an obvious way of lightening his burden. The situation is as yet so little developed that until the other day few quarter columns in the newspaper attracted less attention than the occasional one headed Municipal Trading; but the heading has lately changed in the *Times* to Municipal Socialism; and this, in fact, is what is

really on foot among us under the name of Progressivism.

At first sight the case in favor of Municipal Trading seems overwhelming. Take the case of a shopkeeper consuming a great deal of gas or electric light for the attractive display of his wares, or a factory owner with hundreds of work benches to illuminate. For all this light he has to pay the cost of production plus interest on capital at the rate necessary to induce private investors to form ordinary commercial gas or electric light companies, which are managed with the object of keeping the rate of interest up instead of down : all improvement in the service and reductions in price (if any) being introduced with the sole aim of making the excess of revenue over cost as large as possible.

Now the shopkeeper in his corporate capacity as citizen-constituent of the local governing body can raise as much capital as he likes at less than four per cent. It is much easier to stagger consols than to discredit municipal stock. Take the case of the London County Council. For ten years past the whole weight of the Government and the newspapers which support it has been thrown against the credit of the Council. A late prime minister denounced it in such terms that, to save his face, his party was forced to turn all the vestries into rival councils on the "divide and govern" principle. The name of the London County Council has been made a hissing among all who take their

politics from the Court and the Conservative papers. To such a torrent of denunciation a private company would have succumbed helplessly: the results of an attempt to issue fresh stock would not have paid the printer's bill. But the County Council has only to hold up its finger to have millions heaped on it at less than four per cent. It has to make special arrangements to allow small investors a chance. The very people who have been denouncing its capital as "municipal indebtedness" struggle for the stock without the slightest regard to their paper demonstrations of the approaching collapse of all our municipal corporations under a mountain of debt, and of the inevitable bankruptcy of New Zealand and the Australasian colonies generally through industrial democracy. The investor prefers the corporation with the largest municipal debt exactly as he prefers the insurance company with the largest capital. And he is quite right. Municipal expenditure in trading is productive expenditure: its debts are only the capital with which it operates. And that is why it never has any difficulty in raising that capital. Sultans and South American Republics may beg round the world in vain; chancellors may have to issue national stock at a discount; but a Borough Treasurer simply names a figure and gets it at par.

This is the central commercial fact of the whole question. The shopkeeper, by municipal trading, can

get his light for the current cost of production plus a rate of interest which includes no insurance against risk of loss, because the security, in spite of all theoretical demonstrations to the contrary, is treated by the investing public and by the law of trusteeship as practically perfect. Any profit that may arise through accidental overcharge returns to the ratepayer in relief of rates or in public service of some kind.

The moment this economic situation is grasped, the successes of municipal trading become intelligible; and the entreaties of commercial joint stock organization to be protected against the competition of municipal joint stock organization become as negligible as the plea of the small shopkeeper to be protected against the competition of the Civil Service or Army and Navy Stores. Shew the most bitterly Moderate ratepayer a municipal lighting bill at sixpence a thousand feet or a penny a unit cheaper than the private company charges him, and he is a converted man as far as gas or electric light is concerned. And until commercial companies can raise capital at lower rates than the City Accountant or the Borough Treasurer, and can find shareholders either offering their dividends to relieve the rates or jealously determining to reduce the price of light to a minimum lest they should be paying a share of their neighbors' rates in their lighting bills, it will always be possible for a municipality of average capacity to underbid a commercial company.

Here, then, is the explanation of the popularity and antiquity of municipal trading. As far as their legal powers have gone, municipalities have always traded, and will always trade, to the utmost limits of the business capacity and public spirit of their members.

No doubt a body of timid and incapable councillors will leave as many public services as possible to commercial enterprise, just as, in their private concerns, they keep small shops in a small way instead of becoming Whiteleys and Wannamakers, Morgans and Carnegies. And a body of rich and commercially able councillors may pursue exactly the same policy because they hold shares in the commercial enterprises which municipal enterprise would supplant, and have in fact deliberately taken the trouble to get elected for the purpose of protecting their private enterprises against the "unfair" (meaning the irresistible) competition of the municipality. Further, a body of amateur doctrinaires who rush into municipal trading on principle without enough business training and experience either to manage the business themselves or allow their staff to do it for them, will make a mess of it at first, precisely as that much commoner object the amateur joint stock company makes a mess of it. There is no magic in the ordeal of popular election to change narrow minds into wide ones, cowards into commanders, private ambition into civic patriotism, or crankiness into common sense. But still

less is there any tendency to reverse the operation; for the narrowest fool, the vulgarest adventurer, the most impossible fanatic, gets socially educated by public life and committee work to an extent never reached in private life, or even in private commerce. The moment public spirit and business capacity meet on a municipality you get an irresistible development of municipal activity. Operations in land like those effected by the Corporation of Birmingham in Mr. Chamberlain's time, and by the London County Council in our own, are taken in hand; and the town supplies of water, of light, of tramways, and even of dwellings, are conquered from competitive commerce by civic co-operation. And there is no arguing with the practical results. You take a man who has just paid a halfpenny for a ride in a municipal tramcar which under commercial management would have cost him a penny or twopence; and you undertake to go into the corporation accounts with him and prove that under a "fair" system of book-keeping he should have paid fourpence. You explain to the working man voter how true economy demands that his relative who is employed as a driver and conductor in the municipal service for ten hours a day, and six days a week, with standard wages and a uniform, should go back to competition wages, seventeen hours, seven days, and his own seedy overcoat and muffler. You buttonhole the shopkeeper who has just paid two and threepence per thousand cubic feet for his

gas, with the public lighting rate and a bonus thrown in ; and you assure him that unless he votes for a return to the supremacy of the commercial company at three shillings per thousand and a reimposition of the Lighting Rate, the city will be bankrupt and the Mayor replaced by a Man in Possession. You unfold a Union Jack in London, and tell the care-worn cockney, who pays for his water to a private company more than double what his neighbor across the border pays to the Croydon Corporation, that the Empire stands or falls with the practice of buying water at a price which varies inversely with the quantity consumed, with the right of a water shareholder to a vote in every constituency through which one of his pipes runs, and with the maintenance, free of Probate Duty, of a monopoly granted by James I., and by this time appreciated by 1000 per cent in value. It is all pathetically useless. The municipal trader does not contradict you : he laughs at you. So long as the municipal market is the cheapest market, the public will buy in it ; and the protests of the companies are as futile as the protest of the stationer and the apothecary against the stores.

It is not necessary to overload these pages by citing a string of practical examples of successful municipal trading in verification of the above argument. Progressive electioneering literature teems with such examples. The tracts of the Fabian Society and of the London Reform Union, the

columns of the Progressive papers, the protests against "municipal indebtedness" in the Anti-Progressive papers, the annual reports of the local authorities, the weekly papers devoted to municipal matters with their endless photographs and figures, the handbooks of municipal socialism compiled by such papers as the *Clarion* from its own columns, and the County Council returns and parliamentary reports on municipal trading, have so surfeited the public with the facts that a recapitulation here would be beyond human endurance. It is waste of time to force an open door; and in all public services in which the determining commercial factor is practically unlimited command of cheap capital combined with indifference to dividend, the door is more than wide open: it has been carried clean off its hinges by the victorious rush of municipal socialism under the reassuring name of Progressivism.

II

MUNICIPAL MANAGEMENT

The importance of management as a factor in industrial success cannot easily be exaggerated; but management is nowadays as completely dissociated from ownership, and as easy to buy in the market, as machinery. Nobody now suggests that a railway company is an impossibility because railways cannot be managed by a mob of shareholders, even when they act through committees of directors who do not know the difference between a piston rod and a sun-and-planets gear. The directors simply prescribe the results they wish to obtain, and engage a staff of skilled administrators and railway engineers to tell them how to obtain it. Thus the London and North-Western Railway Company manufactures everything it wants, from locomotives to wooden legs, without the intervention of a contractor. A mob of ratepayers acting through a municipal authority is in precisely the

same position. The ratepayers are just as stupid and short-sighted as ordinary joint stock shareholders; and the worst of their representatives on the municipalities are as incapable as the worst ordinary guinea-pig directors. But the ratepayers and councillors light their towns with electricity; run tramway services; build dwellings; dredge harbors; erect dust destructors and crematoria; construct roads and manage cemeteries, as easily as a body of clergymen's widows can lay an Atlantic cable if they have money enough, or an illiterate millionaire start a newspaper. The labor market now includes an ability market in which a manager worth £10,000 a year can be hired as certainly as a navvy.

In the ability market, the municipalities have a decisive advantage in the superior attraction of public appointments for prudent and capable organizers and administrators. A municipality can always get an official more cheaply than a company can. A municipality never becomes bankrupt, is never superseded by a new discovery, and never dismisses an official without giving his case prolonged consideration in committee, from which he has practically an appeal to the whole body. A man who behaves himself and does his work has nothing to fear in public employment: his income and position are permanently assured. Besides, he enjoys his salary to the full: he has no appearances to keep up beyond the ordinary decencies of life:

he need not entertain; need not keep equipages or servants for purposes of ostentation; may travel third class if he likes, live in the most unfashionable neighborhood, belong to what sect he pleases or to no sect, and dispose of his time and gratify his tastes out of office hours with a personal independence unknown to commercial employees. It is no exaggeration to say that these considerations make a municipal post of £350 a year more desirable than some commercial posts and professional practices that bring in £1000 a year; and this is why the ratepayers, in spite of their stinginess in the matter of salaries on the professional scale, get so much better served than they deserve.

All that can be said on the other side is that if the municipal officer has no fears, he has also strictly limited hopes. The Town Clerk and the Borough Engineer, the County Surveyor and the Medical Officer of Health, all know that they will never get £15,000 a year, nor even £5000, in the municipal service. The dreams of vulgar ambition, and the excitements of financial speculation, of party politics, and of fashionable life, are not for them. But these very disabilities have their value as selective conditions. The vulgarly ambitious commercial and social adventurer is very far from representing a desirable type of municipal officer; and ambitions that are not vulgar have full scope in municipal life, where a departmental chief can attain a position of enviable consideration and real public usefulness.

Promotion is not only from step to step in the same municipality, but from municipality to municipality; so that if the clerkship to the London County Council, worth £2000 a year with the chance of a knighthood, becomes vacant, every provincial Town Clerk can present himself as a candidate for the post without forfeiting or risking his already secured position in any way. He can also, of course, resign his post and engage in commercial enterprise at any moment; but the fact that he practically never does so shews that there is nothing to be gained by such a step.

On the whole, then, when the directors of a joint stock company on the one hand, and the representatives of the ratepayers on the other, both being alike "amateurs carrying on business with other people's money," come into the market to engage an executive staff, the municipality has the advantage of its competitor. It can get its management cheaper as certainly as it can get its capital cheaper.

III

WHEN MUNICIPAL TRADING DOES NOT PAY

If the Medical Officer of Health wants a microscope or the County Surveyor a theodolite, it will not pay the municipality to set up a scientific instrument factory to produce that single article, possibly of a kind which can be produced by half a dozen firms in sufficient quantity to supply the whole of Europe. Even the London County Council, with all its bands, has not yet proposed to manufacture its own trombones. The demand of the authority must be sufficiently extensive and constant to keep the necessary plant fully employed. The moment this limitation is grasped, the current vague terrors of a Socialism that will destroy all private enterprise laugh themselves into air. The more work the municipality does, the more custom it will bring to private enterprise; for every extension of its activity involves the purchase of innumerable articles which can, in

the fullest social sense, be produced much more economically by private enterprise, provided it is genuinely self-supporting, and does not spunge on the poor rates or on other private enterprises for part of the subsistence of its employees : in short, provided it works under a "fair wages" clause.

There is another way in which private enterprise will hold its own even in pieces of work sufficiently vast to use up the necessary plant. Personal talent in all its gradations, from smartness and push up to positive genius, plays as important a part in industry as it does in the fine arts. It is perfectly possible for a born captain of industry to be in a position to say to a municipality : "Here is such and such a big undertaking to be carried through. Although I may have to raise at 10 per cent the capital that you can raise at $3\frac{1}{2}$; although I pay and treat my employees so well that they would not exchange my employment for yours ; although I have to pay my sub-chiefs double the salaries you can get men of the same quality for ; yet I will so organize the work, and so command and inspire my industrial troops that I will do the work for less than it will cost you to do it yourselves, and do it better, and have a satisfactory profit for myself into the bargain. Here is my tender, which is lower than the estimate of your Works Department!" Under such circumstances—assuming, of course, that there were sufficient reason to believe that the contractor could make his boast good—the

tender should and would be accepted. Nobody who has any experience of opening tenders for important and difficult engineering work will consider this instance far-fetched. Even when the total figure is under £20,000, the difference between the lowest and highest tender is often more than 100 per cent. Although the specification may be so minutely detailed as to leave very little room for variation in the nature or quality of the product, one contractor will undertake work for £6000 which another will ask £14,000 for, without any discoverable ulterior motives. One is driven to conclude that it is the personal factor that makes the difference. Fertility and promptitude in device, boldness and swiftness in execution, power of making other men work enthusiastically : all these may give a contractor as decisive an advantage over a borough engineer as over a rival contractor. Sometimes the advantage is on the other side : it is the municipal official or the committee chairman who suggests improvements and economies to the contractor, upon whose mechanical routine the fresh minds even of a committee of amateurs (which practically always includes somebody who is not an amateur) often play very beneficially. In fact there are many matters in which municipal experience is so necessary that even the ablest contractor, when he first touches public work, can learn a good deal from the most ordinary municipality. But as municipal experience is always at the contractor's

service, there is nothing in municipal trading to deprive an able enterpriser of the legitimate advantage of his talent. On the contrary, it protects him against the sort of competition that he really dreads : the competition of scamping and sweating, of underbidding by the apparent cheapness that is really the worst sort of extravagance. It narrows the competition to competition in ability of management and excellence of product, which is just the sort of competition in which he can win.

It follows that a joint stock company, if it is clever or lucky enough to secure a manager of exceptional talent, may compete successfully with a municipality of only ordinary managerial resources. Or, to put the facts in the order in which they usually occur, an industrial genius, by forming a joint stock company to provide him with capital, may do so.

But the business of the world is mainly ordinary work carried on by ordinary men and women. And all such public business of sufficient magnitude to keep the necessary plant working full time until it has paid for itself, can, when it is purely local, be done more cheaply by municipal than by private enterprise.

IV

THE ANTI-SOCIAL REACTIONS OF COMMERCIAL ENTERPRISE

In many public services, labor plays a larger part than machinery. In them, consequently, the cost depends much more on wages and vigor of superintendence than on the rate of interest. Take for example the collection of dust from house to house, where the plant required consists of horses and carts, shovels and baskets. Not only is the cost of this plant negligible compared to the cost of the labor, but the labor is the motive power: the man drives the horse, not the horse the man: the man plies the shovel, not the shovel the man. It is quite otherwise in, for example, an electric lighting station. There the cost of the plant is higher relatively to the cost of labor; and the plant drives the man instead of the man driving the plant; for the steam engine and the dynamo do not stop and pull out a pipe when the foreman goes round the corner. There is another difference: the labor in the electric

lighting station is skilled and organized : its price is standardized by Trade Unionism ; so that municipalities and commercial companies have to pay the same price for it, and therefore cannot enter into a competition in sweating. The dustman, on the other hand, is an unskilled, unorganized, casual laborer, obtainable by private employers at a wage which no Progressive municipality, committed to a "moral minimum" subsistence wage, can offer. Furthermore, the private contractor, who, in the dust business, is seldom very delicate in handling his employees, can slavedrive his men in a way that may be very necessary to get the greatest result from their labor at a job in which they have no interest, but which in municipal employment is as impracticable as it is undesirable.

Now it is clear that precisely the same argument that converts even the Moderate ratepayer to municipal electric lighting (its comparative cheapness) converts even the Progressive ratepayer to private enterprise in dust collecting ; for no municipality with the smallest sense of decency or social duty can bring out its bill for dust collecting at so low a figure as the sweating contractor. Consequently, as long as the question is settled, as it too often is at present, by the ratepayer's thoughtless preference for the lowest tender, municipal trading will be stopped just at the points where it is most needed. For a moment's reflection will convince any intelligent person that whereas the private electric

lighting companies do their work as well, if not so cheaply, as the municipalities, the most disastrous inefficiency and unscrupulous recklessness are possible in dust collecting and such cognate work as the stripping or cleansing of rooms after cases of infectious disease. What is more, this inefficiency and recklessness will not only put the ratepayers to heavy private expense for medical attendance, disablement and so forth, but recoil directly on the rates themselves in sanitary expenditure; whereas the extinction of the electric light for an hour occasionally, though it provokes loud complaints and is undeniably exasperating, costs nothing but the inconvenience of the moment and a little candle grease and lamp oil. We must therefore conclude, not merely that the commercial test is a misleading one, but that the desirability of municipal trading is actually in inverse ratio to its commercial profitableness. A few illustrations will make this clear.

Take the most popular branch of commercial enterprise: the drink traffic. It yields high profits. Take the most obvious and unchallenged branch of public enterprise: the making of roads. It is not commercially profitable at all. But suppose the drink trade were debited with what it costs in disablement, inefficiency, illness and crime, with all their depressing effects on industrial productivity, and with their direct cost in doctors, policemen, prisons, &c. &c. &c.! Suppose at the same time the municipal highways and bridges account were

credited with the value of the time and wear and tear saved by them! It would at once appear that the roads and bridges pay for themselves many times over, whilst the pleasures of drunkenness are costly beyond all reason. Consequently a municipalized drink traffic which should check drinking at the point of excess would be a much better bargain for the ratepayers than our present system, even if the profits made at present by brewers and publicans were changed to losses made up by subsidies from the rates.

But the drink traffic is not the best illustration of the fallacy of the commercial test. The main factor to be taken into account in comparing private with public enterprise is neither the Drink Question nor any of the other Questions which occupy so many sectional bodies of reformers, but the Poverty Question, of which all the others are only facets. Give a man a comfortable income and you solve all the Questions for him, except perhaps the Servant Question. Now the all-important difference between the position of the commercial investor and the ratepayer is that whilst the commercial investor has no responsibility for the laborers whom he employs beyond paying them their wages whilst they are working for him, the ratepayer is responsible for their subsistence from the cradle to the grave. Consequently private companies can and do make large profits out of sweated and demoralized labor at the expense of the ratepayers; and these

very profits are often cited as proofs of the superior efficiency of private enterprise, especially when they are set in sensational contrast to the inability of municipalities to make any commercial profits at all in the same business.

For example, consider the case of a great dock company. Near the docks three institutions are sure to be found: a workhouse, an infirmary, and a police court. The loading and unloading of ships is dangerous labor, and to a great extent casual labor, because the ships do not arrive in regular numbers of regular tonnage at regular intervals, nor does the work average itself sufficiently to keep a complete staff regularly employed as porters are at a railway station. Numbers of men are taken on and discharged just as they are wanted, at sixpence an hour (in London) or less. This is convenient for the dock company; but it surrounds the dock with a demoralized, reckless and desperately poor population. No human being, however solid his character and careful his training, can loaf at the street corner waiting to be picked up for a chance job without becoming more or less a vagabond: one sees this even in the artistic professions, where the same evil exists under politer conditions, as unmistakeably as in the ranks of casual labor. The shareholders and directors do not live near the docks; so this does not affect them personally. But the ratepayers who do live near the dock are affected very seriously both in person and pocket. A visit to the work-

house and a chat with one of the Poor Law Guardians will help to explain matters.

Into that workhouse every dock laborer can walk at any moment, and, by announcing himself as a destitute person, compel the guardians to house and feed and clothe him at the expense of the ratepayers. When he begins to tire of the monotony of "the able bodied ward" and its futile labor, he can wait until a ship comes in; demand his discharge; do a day's work at the docks; spend the proceeds in a carouse and a debauch; and return to the workhouse next morning, again a destitute person. This is systematically done at present by numbers of men who are by no means the least intelligent or capable of their class. Occasionally the carouse ends in their being taken to the police station instead of returning immediately to the workhouse. And if they are unlucky at their work, they may be carried for surgical treatment to the infirmary; for in large docks accidents that require hospital treatment occur in busy times at intervals of about fifteen minutes. Finally, when they are worn out, they subside into the workhouse permanently as aged paupers until they are buried by the guardians.

Now workhouses, infirmaries and police courts cannot be maintained for nothing. Of late years workhouses have become much more expensive: in fact the outcry against the increase of the rates, which is being so vigorously used to discredit municipal trading, is due primarily and overwhelmingly

to Poor Law, and only secondarily to educational and police expenditure, and has actually forced forward those branches of municipal trading which promise contributions out of their profits in relief of the general rate. This expenditure out of the rates on the workhouse is part of the cost of poverty and demoralization; and if these are caused in any district by the employment of casual labor, and its remuneration at less than subsistence rates, then it is clear that a large part of the cost of the casual labor is borne by the ratepayer and not by the dock company. The dividends, in fact, come straight out of the ratepayers' pockets, and are not in any real sense profits at all. Thus is it one of the many ironies of the situation that the sacrifices the ratepayer makes to relieve the poor really go largely to subsidize the rich.

A municipality cannot pick the ratepayer's pocket in this fashion. Transfer the docks to the municipality, and it will not be able to justify a loss at the workhouse and police station by a profit at the docks. The ratepayer does not go into the accounts: all he knows is whether the total number of pence in the pound has risen or fallen. Consequently the municipality, on taking over the docks, would be forced to aim in the first instance at organizing its work so as to provide steady permanent employment for its laborers at a living wage, even at the cost of being overstaffed on slack days, until the difficulty had been solved by new organization

and machinery, as such difficulties always are when they can no longer be shirked. Under these conditions it is quite possible that the profits made formerly by the dock company might disappear; but if a considerable part of the pauperism and crime of the neighborhood disappeared simultaneously, the bargain would be a very profitable one indeed for the ratepayers, though the *Times* would abound with letters contrasting the former commercial prosperity of the dock company with the present "indebtedness" of the municipality.

If we now turn back from the grand scale of commercial enterprise as represented by the dock company to the petty scale represented by the parish dust contractor, we find the same danger of false economy. When a municipality does its own dust collecting for a year, it is usually quite easy for those members whose only conception of economy is to reduce every item of expenditure separately to the lowest possible figure, to obtain estimates from contractors offering to do the work for less than it has cost the municipal Works Department. The contractor's secret is a simple one: casual labor at very low wages eked out by tips from the householders. And here the consequences reach further than in the case of the docks. The collection of dust, unlike the unloading of ships, has a direct relation to the health, comfort and energy of the inhabitants. The individual ratepayer who fancies he has saved a few pence by the employment of a contractor may lose

anything from a shilling to several pounds through illness, and suffer a constant depreciation of his own energy and that of his employees, if the dust is not punctually, frequently, and efficiently collected. The annoyance and the increase of domestic labor caused by the visits of a casually employed underpaid dustman, even when he is conciliated by tips, is known only to the woman at home, whose worries have an important reaction on the national energy, as married men well know. During smallpox epidemics, which are very costly, rates may be heavily increased by the results of cheap contracting. The ratepayer is always paying for the notifiable infectious diseases, especially scarlet fever, diphtheria and measles; and if the disinfection after these and after smallpox is done by casual labor, so that the man who disinfects a scarlet fever room today may be discharged by the contractor in the evening, and go straight to an ordinary job tomorrow, the disinfector may himself spread more infection than he prevents. In sanitary work, then, the cost of poverty in poor law relief, and the cost of the demoralization of the casual laborer in drunkenness and crime, is increased by the cost of inefficiency and hygienic unscrupulousness in disease, with its expensive public routine of inspection, disinfection, cleansing and stripping, in addition to its privately borne cost in medical attendance, nursing and disablement.

But it is not yet clear that the remedy is for the municipality to do the work. It may be argued that

under a proper system of inspection and an effective scale of resolutely enforced penalties, a contractor could be induced to do it as thoroughly as the municipality itself, without resorting to casual or underfed labor. Let us suppose, then, that a contractor offers to do municipal work at a figure which works out lower than the estimate of the Works Department even when the cost of sufficient inspection and enforcement of penalties to secure efficiency is added to the sum named in the contract; and that he also undertakes that everyone in his employment shall, judged by the standard of the laboring class, be in comfortable circumstances. Satisfactory as this seems, there will still be a heavy loss to the ratepayer in accepting the contract unless everyone employed by the contractor actually receives a full living wage, as the following analysis will shew.

The payment of less than a living wage is possible in two ways. There is the direct form in which the underpaid, underfed, underhoused, underclothed, underrespected, undercomforted employee draws on his or her vital capital for a few years and is then discharged and replaced by younger and less exhausted travellers on the same road to ruin. Contractors can make profits on relays of this kind just as publicans in seaports or in the Australian bush can make profits by relays of sailors and shepherds who come to them with the earnings of several months' work, and are thrown out by the potman as soon as all their money is spent in drink. On this form of sweating, common

as it is, nothing need be said. To everyone intelligent enough to read a book on municipal trading it must be clear without argument that the employment of a contractor of this type would be ruinously dear to the ratepayer even if the contractor did the work for nothing and paid a bonus in aid of rates into the bargain.

But sweating is not in actual practice so obvious and simple a matter. The commonest and most dangerous form is not the direct and sensationally cruel sweating of a scandalously wretched victim by a sordidly brutal employer, but the unsensational and quite popular sweating of one industry by another, with the result that the actual starvation of the worker often takes place in neither industry, though it occurs elsewhere in consequence of their relation. This economic phenomenon, which was first analysed by Mr. and Mrs. Sidney Webb,[1] and is only beginning to be appreciated even by professional economists, is quite compatible with normal good-nature on the part of the employer and normal cheerfulness and decency on that of the employee.

Take a familiar example. A married laborer, or a shop assistant or clerk of the grade that makes no pretension to gentility, earns, say, from eighteen to twentyfour shillings a week. An additional six shillings a week will make a difference in the comfort and social standing of the family enormously greater than

[1] *Industrial Democracy*. By Sidney and Beatrice Webb (London, Longmans, 1897).

could be produced by raising an income of a thousand a year to five thousand. It is difficult for the readers of, say, the *Spectator* and the *Times*, to form any conception of the magnitude of a promotion from eighteen shillings a week to twentyfour, or from twentyfour to thirty. Such well-to-do persons are often scandalized when their attention is called to the apparent ferocity with which the very poor resist Factory Legislation when it protects their children from being withdrawn from school and sent out to earn a few shillings at an early age; but the truth is that if five shillings a week made as much difference to a duke as it does to many laborers, he would send his son out into the streets to earn it at ten years old if the law allowed him. And if he had a couple of sturdy daughters, he would not allow them to eat their heads off at home, so to speak, when they might go into a factory, or dust yard, or shop, and bring home five, ten, twelve or perhaps even fifteen shillings apiece. If he had no children, or not enough to require a woman's whole time for the housekeeping, his duchess would give half her day as a charwoman in a lower middle class house for five shillings a week or as much more as she could get for it. Such family circumstances seldom occur in the peerage except after revolutions; but millions of English laborers' homes are in that position. The consequence is that there is a huge mass of the labor of women and minors always in the market at less than subsistence rates; and whole industries can be carried on by such labor with plenty of profit

to their organizers. But they are carried on at a loss to the ratepayer, who has finally to make up much more than the whole difference between the wage paid and the cost or subsistence, except where the debt is cancelled by premature death.

Let us follow the process in the instance most favorable to it. A laborer is working for twentyfour shillings a week (the present London "moral minimum" subsistence wage) for the London County Council. If he and his wife can get a boarder at six shillings a week (for which a separate apartment and much more food than would otherwise be wasted can hardly be expected) the twentyfour shillings become thirty: an immense difference. Economically, it does not matter to the laborer whether the boarder is his own son or daughter or somebody else's. The London factory girl can always find a family to board with if she has none of her own; but the evil is so far exaggerated by family affection that a girl who could bring home only five shillings would probably have to board with an eighteen shilling laborer instead of a twentyfour shilling one unless the latter were her father.

Now it is clear that though the girl (or lad) takes five shillings home, and thereby eases the family circumstances very appreciably; so that both the parents and the daughter are benefited and pleased, the father is partly supporting the girl out of the wage paid him by the County Council. That means that her employer is spunging on the ratepayer for part

of the cost of the labor he uses. With this advantage he tenders to the Government for a clothing contract, or to one of the Borough Councils for a dusting contract. These bodies, being now mostly bound by resolution to pay full living wages to their own direct employees, find that they cannot do the work themselves so cheaply. It is therefore given to the contractor in the name of economy; so that though the ratepayers pay full subsistence wages to their own adult male laborers, yet by employing a contractor to sweat the laborer's daughter, who brings her wage up to subsistence point by indirectly sweating him, they get the labor of two persons for less than a subsistence wage and a half, even if they pay the contractor ten shillings for the labor he pays five for. No doubt many ratepayers will regard this as a clever stroke of business; but it would have been still cleverer for the ratepayer to have paid the laborer twentynine shillings a week for the services of himself and his daughter in direct employment and so saved the contractor's profit. Yet even from this point of view the system of allowing one industry to flourish as a parasite on another is a penny-wise and pound-foolish one, as we shall see when we pursue the process to its end—for we are by no means done with it yet. Meanwhile it must be remembered that our hypothetic laborer need not be in the employment of the County Council. He may be in the employment of a commercial company or firm at a living wage, in which case both the contractor and the

public body accepting his contract are making the company pay for the difference between what the contractor pays his employees and what it costs them to live.

Let us now follow the career of the laborer's daughter. In course of time her parents die, or else get past working and become dependent on their children instead of helping to support them. Five shillings a week will not meet this emergency. If the daughter marries a man earning a subsistence wage, she provides for herself and either puts her parents on her husband's back (he having parents of his own, probably) or else lets them go into the workhouse. But this solution of the difficulty does not always occur. She may not marry; and if she does her husband may die, or desert her, or be disabled, or be out of employment in times of bad trade. These things occur sufficiently often to produce at all times a considerable number of women struggling to live and to bring up their children by their own unaided exertions.

Imagine the fate of such a woman. She seeks employment in a factory, and is offered five shillings a week. If she refuses it on the ground that she cannot feed herself and her children on it, plenty of younger, jollier, better looking laborers' daughters, with their fathers' wages to fall back on, will take her place willingly. She tries to earn something as a charwoman, and finds that plenty of laborers' wives are willing to "come in for an hour a day"

for the same five shilling wage, though in this case the hour may mean half the day, a midday meal, and certain stray perquisites of washing and the like which may, at best, perhaps double the nominal value of the job. Permanent domestic service is barred by the children; and so is boarding with a family. Rent may be anything up to six and sixpence a room. At every turn the competition of the subsidized laborer's boarder, whether wife, daughter or stranger, has reduced wages below subsistence point; and there is seldom any prospect of an improvement, because most of these sweated industries would, if they were compelled to pay a living wage, either disappear altogether or else save themselves by reorganizing their system, introducing machinery, and employing labor of quite a different class. The situation is a desperate one; and though nearly every middle class family knows (and has perhaps helped to sweat) some respectable widow who has weathered it, no middle class family knows or tolerates the many widows, deserted wives, and single women of the prevalent "middling" character, who give up the struggle, and drudge and drink and pilfer their way along as best they can, qualifying themselves and their children for poor relief, sick relief, and police coercion, and forming a centre of infection for that disease of hopeless inefficiency and unconscientiousness in daily work which costs the ratepayers more than the whole budget, imperial and local, civil and military.

Thus we find that even when a contractor can guarantee that the labor he employs is not casual labor; that it is efficient, regular, respectable, cheerful, healthy, and untouched directly by pauperism, prostitution or crime; and that he pays the full wage customary in his industry, it will still not pay the ratepayer to accept his tender unless he can shew that every person he proposes to employ on the work will get a self-supporting adult's living wage for it. Not until this fundamental condition is insisted on can a simple comparison of the contractor's tender with the Borough Engineer's estimate be accepted as a test of the relative merits of commercial and municipal enterprise.

This is the common sense of the modern innovation of a Fair Wages clause in all industrial contracts made by municipalities, and of the payment of a full living wage to all municipal employees.

V

THE BENEFICIAL REACTIONS OF COMMERCIAL ENTERPRISE

In reading the last chapter, the intelligent advocate of commercial enterprise must have been oppressed with a sense of unfairness, because it says nothing of the employers who are not sweaters, nor of the great social benefits which commercial enterprise has conferred on the community. If commerce has its anti-social reactions, represented by the prison, the workhouse, and the poor rate, what about its beneficial social reactions? It feeds us, clothes us, provides our system of transport. In a word, our subsistence and our civilization are its daily work, done at its own risk.

Unfortunately, though it does, if not all this, at least enough of it to establish high claims to our consideration, it does so at the commercial disadvantage of being unable to appropriate the total benefit resulting from its operations. If on the one hand the dock company is able, as we have seen, to

spunge on the ratepayer for the maintenance of its labor, and to throw on his shoulders the social wreckage its methods involve, it is, on the other hand, quite unable to reap for itself the whole value of the docks to the seaport. It may be scraping together a very paltry dividend with the utmost anxiety, whilst trade to the value of many millions is coming to the town through its gates. Indeed it may pay no dividend at all, and yet see commercial companies all round it making handsome profits which would instantly disappear if the docks were swallowed up by an earthquake. And the dust contractor, with all his opportunities of sweating, has to quote such low figures lest his competitors should send in the lowest tender, that he sometimes becomes a bankrupt in consequence of operations which have reduced the death-rate of the parish and saved many doctor's bills.

Now it is the chief and overwhelming advantage of public enterprise that it can and does reap the total benefit of its operations when there is a benefit, just as it suffers and is warned by the total damage of them when there is damage. In the technical language of the political economists, public enterprise goes into business to gain the value in use or total utility of industrial activity, whilst commercial enterprise can count only on the value in exchange or marginal utility. An illustration or two will make the meaning clear.

It is commonly enough understood that there

are certain highly beneficial industrial operations which cannot be left to commercial enterprise, because their profits are necessarily communized from the beginning; so that a company undertaking the work could not get paid for it. The provision of thoroughfares in a city is a case in point. It has never been possible to put a toll-bar at the end of every city street and compel each passenger to pay for using it. Commercially, therefore, city street-making "does not pay"; so it is left to the municipality, with the result that the ratepayers gain enormously by their expenditure. What is not so generally recognized is that this power of the ratepayers to realize profits inaccessible to private speculators, applies to a greater or less extent over the whole field of public industry. Streets and highways are only a part of the industry of locomotion: commercial enterprise, which cannot touch them, can and does undertake toll bridges, tramways, railways, cab services, and, in short, every means of locomotion which can be charged for per passenger. But though commercial companies can make a dividend in this way, they cannot charge for, and consequently cannot reap for themselves, more than a fraction of the value of the service they render, even when they have the closest monopoly of the traffic. The reason is that the actual passengers are not the only people benefited by facility of communication. Take an extreme case: that of a rich invalid in the country whose

life depends on the arrival of a London surgeon to operate within, say, two hours. He will pay anything, "skin for skin, yea, all that a man hath will he give for his life"—much less the necessary hundred guineas or so—to bring the surgeon to his bedside; and the railway company will do it for him; but the railway company will not get the hundred guineas. It will get no more than if the surgeon were starting on a pleasure trip, and were paying for the fun of the journey instead of being heavily paid to endure its fatigues. In the same way everybody who buys a pound of tea or a ton of coal derives from the commercial enterprise which has established communication between China and Newcastle a benefit which is out of all proportion to the charge for freight and for commercial travellers' tickets which is all that the railway and steamship company get. Suppose these charges were abolished! Suppose, even, that people became so sensitive to the discomforts of railway travelling and of seasickness that they had to be paid so much per mile at the ticket office to induce them to travel. Private enterprise in locomotion, as at present organized, would be ruined at once; but it would still pay the ratepayer and the taxpayer handsomely to keep the railways and shipping lines —in other words, to maintain civilization—on these terms.

This difference is fundamental. It quite disables all commercial comparisons between com-

mercial and communal industry. When a joint stock company spends more than it takes, it is carrying on business at a loss. When a public authority does so, it may be carrying on business at a huge profit. And there is no question here of the shopkeeper's trick of selling canary seed under cost price in order to induce bird fanciers to buy their flour and fodder from him. A municipality might trade in this manner too, if it saw fit : for instance, it might wire houses for electric light under cost price in order to stimulate a commercially profitable consumption of current. But it is quite possible that a municipality might engage in a hundred departments of trade ; might shew a commercial loss on every one of them at the end of every half year ; and yet continue in that course with the full approval and congratulation of the very ratepayers who would have to make up the loss. Its total gains are immeasurable ; and its success can only be estimated by constant reference to the statistics of public welfare. For instance, if the statistics of health, and of crime, had been applied a century ago to test the alleged prosperity of Manchester under unrestricted private enterprise, nobody would have boasted of a factory system that " used up nine generations of men in one generation " as profitable because it produced a commercial peerage of cotton lords. If the new education authorities adopt the recommendation of Dr. J. F. J. Sykes, and have the children in the schools periodically

weighed and measured, the vital statistics thus obtained will provide an important test of the social value of the industrial order under which the children live. Thus, let us imagine a city in which the poor rates, police rates, and sanitary rates are very low, and the children in the schools flourishing and of full weight, whilst all the public services of the city are municipalized and conducted without a farthing of profit, or even with occasional deficits made up out of the rates. Suppose another city in which all the public services are in the hands of flourishing joint stock companies paying from 7 to 21 per cent, and in which the workhouses, the prisons, the hospitals, the sanitary inspectors, the disinfectors and strippers and cleansers, are all as busy as the joint stock companies, whilst the schools are full of rickety children. According to the commercial test, the second town would be a triumphant proof of the prosperity brought by private enterprise, and the first a dreadful example of the bankruptcy of municipal trade. But which town would a wise man rather pay rates in? The very shareholders of the companies in the second town would take care to live in the first. And what chance would a European State consisting of towns of the second type have in a struggle for survival with a State of the first?

This demonstration of the irrelevance of the ordinary comparisons of commercial profits and expenses with municipal profits and expenses leads

to a comparison of the very important factor of incentive. The commercial incentive stops where its profit stops. The municipal incentive extends to the total social utility, direct and indirect, of the enterprise. What is more, the incentive of commercial profit is often actually stronger on the side of socially harmful enterprises than of beneficial ones. Vicious entertainments and exhibitions, unscrupulous newspapers and books, liquor licenses in neighborhoods already overstocked with drinkshops, are only the obvious instances, just as our commercially unprofitable cathedrals, national galleries, and blue books are conspicuous at the opposite extreme.

But it may be contended that an efficient censorship would bar the downward path to commercial enterprise, very much as the London County Council has forced the London music halls into the comparatively decent courses which have produced their present enormous prosperity. The fact remains that the music halls did not see their own interest until they were forced to look at it through the public eye ; and this goes to shew that the limitation of the gains of commercial enterprise to its commercial dividend, also limits its mind, and, by making it habitually blind to public considerations, prevents it from grasping even the commercial opportunities which large public needs offer.

Take a simple instance. London is at present helplessly at the mercy of a cab service which cari-

catures all the worst weaknesses of commercial enterprise. It costs a shilling to go ten yards in a cab: consequently the stands are always full of idle cabs, and the most energetic policing cannot clear the streets of crawling ones. Yet if you want to take a cab for an hour, which hardly anybody does, you get it for a halfpenny a minute. What is wanted is the penny-a-minute cab, which would, for hundreds of thousands of Londoners who now never take a cab except when they are travelling with luggage, abolish walking for all purposes except constitutional ones. The penny bus, still a comparative novelty, has shewn that even twopence is a prohibitive fare in London; for the increase of passengers produced by the reduction to a penny has been so lucrative that the main thoroughfares will not accommodate all the omnibuses that seek to ply in them. The London cabmen could introduce a penny-a-minute fare if they had sufficient business capacity; but if they had, they would not be cabmen. It is easy to say that the cab proprietors would do it if it would pay. It is equally easy and equally absurd to say that a tube railway from the Mansion House to Uxbridge Road would have existed ten years ago if it would have paid ten years ago, or that the grime of the underground railway was a wise economy of its directors. The truth about private enterprise is that it is not enterprising enough for modern public needs. It will not start a new system until it is forced to scrap the old one. And the

reason—one that no profusion of technical education will wholly remove—is that only a fraction of the public benefit of industrial enterprise is commercially appropriable by it. It will not risk colossal capitals with the certainty that it must do enormous service to the public, and create a prodigious unearned increment for the ground landlords, before it can touch a farthing of dividend; and therefore, however crying the public need may be, if the municipalities will not move in the matter nothing is done until millionaires begin to loathe their superfluity and become reckless as to its investment; until railways are promoted merely to buy tubes from Steel Trusts, and monster hotels floated, after the usual three liquidations, to buy tables and carpets from furniture companies. And even then what is done is only enough to shew that it should have been done fifty years sooner, and might even have been done commercially but for the fatal, though inevitable, commercial habit of mind which must consider only the dividend which it can grasp and not the social benefit that it must share with its neighbors.

VI

COMMERCIAL AND MUNICIPAL PRICES

The effect of municipal enterprise on prices is an important factor in the situation. The rough and ready conclusion as to market prices is that sellers will compete for custom by underbidding one another, and that thus free competition will secure the utmost possible cheapness to the consumer. The simple reply to this optimistic receipt for a self-acting millennium is that as soon as sellers find this out they stop competing ; and competition is replaced by conspiracy. The far-seeing and capable heads of the trade combine, and finally get the whole trade into their own hands, even if they have to sell at less than cost for long enough to ruin all the small manufacturers who are too poor or too stupid to join the combination. A monopoly being thus established, a market price is fixed, and retailers are supplied only on condition of their selling at that price.

Now it does not follow that this price will be

higher than the old competition price it has superseded. On the contrary, the cost of production is so much reduced by the concentration of the trade in the hands of the most intelligent masters, manufacturing on a large scale with the best machinery and the largest capitals, and public consumption is so much increased by every reduction in price, that a frequent result of the substitution of combination for competition, and of relative monopoly for complete freedom of trade, is the appearance in the market of a better and cheaper article.

But there are limits to this beneficial process. The Trust, after all, is not a philanthropic enterprise, which is exactly what the municipality is. The Trust aims at the maximum of profit ; and its prices will always be fixed so as to carry that profit. The municipality, on the other hand, must aim at the suppression of profit, because municipal profit, as we shall see presently, has the effect of making the consumer pay more than his fair share of the rates. But no matter what result is aimed at, whether profit or no profit, that result can be produced, not by one price and one price only, but by any one of several different prices.

To make this clear, take a case : a fantastic one to begin with. Let the problem be to fix the price of a newly invented patent flying machine for a single passenger. As the patent excludes competition, the patentee may fix its price at anything from its bare cost to a completely prohibitive figure. Our

experience of the automobile shows us what he would do. He would offer the æroplane first at £500,000. It is quite possible, in view of the insane distribution of riches at the present time, that he would sell half a dozen through Europe and America at that figure; for ridiculously rich people do spend such sums on much less attractive whims. That is, he would receive three millions. When there were no more buyers at half a million, he would introduce the Popular Æroplane at £100,000. Probably there would be no buyers: everybody would wait confidently for a further reduction. He would then come down to £1000, and make a stand at that, probably, for some years, meanwhile paying artisans £2 a week to fly about in æroplanes and familiarize the public with their existence and practicability, just as until quite recently the most expensive autocars were seen running on our main roads, crowded, not with dukes and millionaires, but with people whose average family income was clearly not much above thirty shillings.

If he sold 3000 æroplanes at £1000 apiece, the takings would be the same as that from the sale of six at £500,000. A sale of 6000 at £500, of 30,000 at £100, or of 150,000 at £20, would all produce the same sum, and a slight modification of the larger numbers to allow for varying cost of production would make them all return the same profit; for the labor of organizing the production and distribution of a million and a half æroplanes would

be enormously greater than of half a dozen, whilst, per contra, the market would be much more stable, and the manufacture of the million and a half would be a matter for machines turning out æroplanes by the gross like pins, whilst six only would have to be built as primitively as a village carpenter builds a wheelbarrow. All these changes would enter into the calculations of the seller; but the main factor in his choice would be the sliding scale by which the number of buyers goes up as the price comes down. And it is clear that neither the lowest price, nor any single price whatever, would have a decisive advantage from the purely commercial point of view. There might be hundreds of equally convenient prices all yielding the same commercial result; and when, after a long series of trials, something like a stable customary price was reached as the most satisfactory to the seller, all experience is against the hope that it would, in a community stratified as ours is in purchasing power, be the price at which the most socially beneficial use of the invention would be possible. It would either be too cheap, like gin, or too dear, like house room. As in the case of the motor car, the whole industry of the world might be deprived of its benefit for years whilst producers were competing for the custom of plutocratic young sportsmen with racing machines of extravagantly superfluous horse power.

Let us take a more prosaic case. Let the problem be to fix the price per word of a cable message, say

to the United States. Here there is clearly no single most profitable price. The difference between the cost of sending one message a day and twenty is negligible: consequently the profit on one message a day at a pound and twenty messages at a shilling apiece is the same. Still, it saves trouble to send one message instead of twenty; so the commercial tendency will be to charge a pound. At present, accordingly, cabling to the United States is an expensive luxury. The charge is a shilling a word; and a couple of tiny offices in Northumberland Avenue, in which one never finds as many as two customers at the same time, suffice for all the people in that populous centre who wish to avoid the crowding in the postal telegraph offices. It is difficult to believe that a sweeping reduction in this heavy charge would reduce profits, however much it might multiply cables, offices, plant and staff. But it is not certain that it would increase profits; and if it did not, the company would have reduced their charges and magnified their operations for nothing. The huge benefit to both nations from the development of their intercourse would not go into the company's pocket.

But it would go into the nation's pocket. It would probably pay the nation to make telegraphic communication with the American continent quite free of direct charges except possibly for the purpose of checking a frivolous use of the cables. At all events the nation's interest in keeping charges down

is as clear as the company's interest in keeping them up to the highest point at which the loss by restricting the use of the cable will be less than the gain by high rates.

A municipality does not meddle with transatlantic cables; but it does with telephones. Its advantage over local commercial enterprise is of the same nature. There is not one price only available, and that the most profitable, but several prices all yielding the same total profit. It is the interest of the private company to select the highest of these, and the interest of the public and of the municipality to select the lowest. There is, however, one very important difference between a telegraph and a telephone service. Competition between telegraph companies may duplicate cables unnecessarily; but it may nevertheless keep down charges. But competing telephone exchanges are intolerable: the nature of the service compels monopoly. At Tunbridge Wells, where the municipality established an exchange in competition with a private company, all the arguments in favour of municipal enterprise, and all its promises of a cheaper service, broke down before the nuisance of ringing up your butcher or baker, your doctor or solicitor, and finding that he was on the rival exchange. It was perhaps natural for the ratepayers of Tunbridge Wells to sell their own baby exchange rather than buy the grown-up one of the commercial company; but it was not the final solution of the difficulty; and the victory was not really

one of private enterprise over municipal socialism, but of national over local organization of an essentially national service. The private company was not tied by the municipal boundary of Tunbridge Wells; and this advantage made it irresistible when the question arose which competitor should swallow the other.

Take a third case of the simplest oilshop order. Let the problem be to fix the retail price per gallon of the petroleum of, say, the Standard Oil Trust. A practical monopoly of the petroleum supply may be assumed; but a monopoly of petroleum is not a monopoly of light. Petroleum could be put out of use altogether by too high a price. On the other hand every reduction of price means an increase of consumption. Lamps are lighted earlier and extinguished later; duplex lamps are substituted for single wicks; the poor man puts a light in the passage as well as in the room; oil stoves come into use; oil is used lavishly in cleaning bicycles and sewing machines; and though the difference may not amount to more than a spoonful a day per house, yet a spoonful multiplied by millions has to be reckoned with by a Trust. Under these circumstances petroleum is likely to be very cheap. The cost of production and distribution will be economized to the utmost by the monopoly because one monopoly factory will do the work of ten competing ones with much less than ten times the land and plant; and a Trust can control railways and manipulate freights; whilst the

fact that a low price means an enormous demand, and that every attempt to put on an extra penny a gallon cuts off that demand so seriously as to reduce the gross profit instead of increasing it, acts as a far better guarantee of cheapness than the old-fashioned competitive system. The Trust, in fact, has a larger appetite for customers than the scattered competitors it has extinguished; and so, from the social point of view, the Trust is a very welcome industrial development, and the present outcry against it is but a straw fire compared to the blaze of indignation which would break out if the old system were miraculously reimposed on the consumer.

A municipality could not compete with the Oil Trust because, as we shall see later, it is disabled by its boundaries. It may be argued that a public body could undersell a Trust because it does not aim at profit. But in practice, as there is a good deal of commercial human nature in public bodies, it would be found that without the incentive of a little profit to boast of at elections the public body would aim rather at the minimum of trouble to itself than at the maximum demand for oil. Municipalities as a matter of fact do always make as much profit as they dare; and though this is beyond all question unfair to the consumer, who is made to contribute more than his share to the rates, yet the incidence of rating is already so unfair—indeed, so absurd—that to object to a small profit on this ground would be to strain a gnat whilst swallowing a camel,

especially as without the incentive of this profit the tendency would be to a high price and a restricted supply rather than to a low price and an extended supply. The real advantage of public enterprise would therefore be, not the complete reduction of price to cost, but the application of the profits to the public good instead of their private appropriation by idle shareholders. The United States, by owning the Standard Oil Trust, could avoid such horrible absurdities as the annual export of millions of dollars in dividends to be wasted in parasitic fashionable life in European capitals and Mediterranean pleasure cities, whilst large sections of the American population are miserably poor. But even on this point the Trust is better than the mob of small competitors; for if profits are not socialized it is better to concentrate them on a few millionaires, who are forced by the mere weight of their superfluities to throw whole masses of money back on the public in the manner of Mr. Carnegie, than to scatter them on a crowd of "successful tradesmen" whose children become unprofitable pensioners on the nation, and cannot afford to give anything back except an occasional subscription to maintain the evil of irresponsibly managed begging hospitals.

The tendency of private enterprise, with its preference for "a high class connection," and its natural desire to make the rate of profit as high as possible, is to keep up prices to the point beyond which the contraction of the market would make the trade

unstable. The sudden reintroduction of competition by a new departure—for example the tube railway suddenly upsetting the monopoly of the old underground in London—always brings down prices, a fact which proves that private enterprise maintains the highest price that will pay instead of the lowest. This tendency is clearly an anti-social one. Through its operation the various inventions which are the sole real assets of modern civilization, instead of raising the standard of life of the whole population, may remain for a long time the toys of the rich, who themselves cannot escape from an overwhelming environment of primitive poverty, to which more civilization means only less air, less house room, less decency, less health, and less freedom.

The pressure on a municipality is in the opposite direction. Once its inertia is overcome, all its inducements and obligations tend to cheapness and the widest possible diffusion of its products. Instead of the large number of prices that are equally remunerative commercially, it has to consider only one ideal price : that is, cost price on the basis of the greatest attainable number of customers ; and any modification it makes in this price can be dictated only by its desire to raise its revenue as conveniently and popularly as possible, or by considerations of social welfare, such as those which make Bibles artificially cheap and brandy artificially dear. In short, the radical antagonism between enterprise that has for its object the making of the

largest possible profit at the expense of the community, and that which aims simply at supplying public needs as cheaply and effectively as possible, inevitably tells heavily in favor of municipal trading. The incidental public benefit of private enterprise has been very great, *faute de mieux*, in the anarchic period of transition from medievalism to modern collectivism, during which we should have had no industry at all without private enterprise. But the benefit has been at best incidental, and has stopped short, by the laws of its own nature, of the attainable maximum. The benefits of public enterprise are not incidental: they are the sole reason for its existence; and there is nothing to limit them but remediable defects of political machinery and those human infirmities which are common to private and public interest alike.

The one drawback is municipal inertia. It is as possible for a local authority as for an imperial government to do nothing over and above the work that cannot be left undone without obvious and immediate disaster. Private enterprise, on the other hand, must discover and supply public wants or else starve. Unfortunately, this incentive, instead of being strongest where the public need is most vital, and weakest where it is most frivolous, is graduated in just the opposite way. The public need is greatest where the purchasing power is least: the commercial incentive is strongest where purchasing power is heaped up in ridiculous superfluity. Private

enterprise begins with 100 horse power racing automobiles, and reluctantly filters down to cheap and useful locomotion: public enterprise begins at the other end and helps those who cannot individually help themselves. Thus, even if we grant that the desire to make money is a stronger incentive than public spirit and public need, we must admit that it is strongest at the wrong end, and dwindles to nothing at the right end, whereas public spirit and public need are strongest at the right end and are not wanted at the other except for repressive purposes. It may be said that the remedy is a redistribution of purchasing power and not more municipal trading. This proposition is quite unquestionable from the extreme Socialist point of view; but as the present opponents of municipal trading would certainly reject this remedy as more fatal to their hopes than the disease, it need not be dealt with here further than by an emphatic reminder that poverty is at the root of most of our social difficulties; that it is incompatible with liberty and variety; and that it has put the opponents of municipal trading so far in a cleft stick that they cannot abolish poverty except by public enterprise, and cannot escape public enterprise except by the abolition of poverty.

VII

DIFFICULTIES OF MUNICIPAL TRADING

Electrical Enterprise

So far, the case for Municipal Trading seems clear enough. Indeed, on all the issues raised by its opponents, it comes out of the controversy triumphantly. But if a simple verdict of Go Ahead be delivered, the real difficulties, which are seldom mentioned and never appreciated in popular controversy, will soon assert themselves.

To begin with, Private Enterprise enjoys a degree of license which may be described as almost anarchic. It has for its area the heaven above, the earth beneath, and the minerals under the earth. National frontiers and local boundaries do not exist for it. In the matter of advertizing it is exempt from all moral obligations : the most respectable newspapers give up the greater part of their space

every day to statements which every well instructed person knows to be false, and dangerously false, since they lead people to trust to imaginary cures in serious illnesses, and to ride bicycles through greasy mud in heavy traffic on tires advertized as "non-slipping": in short, to purchase all sorts of articles and invest in all sorts of enterprises on the strength of shameless lies, perfectly well known to be lies by the newspaper proprietor, who would at once dismiss the editor if a falsehood of the same character appeared in a leading article. Its operations are practically untrammelled by restrictive legislation; the accepted principle of the State towards it is *laisser-faire;* it has an overwhelming direct representation in parliament; and in private life there are ten thousand people engaged in it for every one who knows anything of the municipality of which he is a constituent except that it periodically extorts money from him by the hands of the detested rate collector. Political ignorance, individual selfishness, the habit of regarding every piece of public work as a job for somebody, the narrowness that makes the Englishman's house a castle to be defended *contra mundum*, the poverty and long hours of work that leave the toiler no energy to spare for public work or public interest, the vague association of public aid with pauperism and of private enterprise with independence, the intense sense of caste which resents municipal activity as the meddling of pretentious tradesmen and seditious labor agitators:

all these symptoms of the appalling poverty of public spirit, and the virulence and prevalence of private spirit in our commercial civilization, are on the side of private enterprise, and have hitherto secured for it a monopoly, as far as a monopoly was practicable, of the national industry : a monopoly that is only slowly giving way before the manifest private advantages of municipal employment to the employee class, and of municipal gas and water to the employer class.

Municipal enterprise, on the other hand, is handicapped from the outset not only by all the influences just cited, but by the national presumption against State action of all kinds inherited from the long struggle for individual liberty which followed the break-up of the medieval system. That struggle led men to assume that corruption is inherent in public offices ; that a trading municipality is the same thing as a seventeenth century monopoly ; and that the remedy for all such evils is free competition between private enterprisers rigidly protected from public competition. Nominally this view is obsolete ; but in practice it is still assumed that whereas private men and private companies may do anything they are not expressly forbidden to do, a municipality may do nothing that it is not expressly authorized to do ; and as every authorization has to come from a parliament in which private enterprise is powerfully represented, the municipalities so far can get little more than the refuse of private enter-

prise. The municipality, in fact, does not enjoy freedom of trade, and the private capitalist does, the natural result being that whilst municipal enterprise is struggling to get trading Bills through hostile parliaments, and agitating for larger powers, private enterprise is forming gigantic industrial conspiracies which ruthlessly stamp out the old-fashioned huckstering competition on which the nation foolishly relied for protection against monopoly, and establishing a predatory capitalistic collectivism which has knocked more anti-Socialist nonsense out of the English people in the last five years than the arguments and pamphlets of the Socialists have done in the last fifty. Nevertheless the race between municipal and national Collectivism, and the frankly plutocratic Collectivism of the Trusts, is one in which, under existing circumstances, the municipalities have no chance except in the industries which the Trusts will not touch because they do not pay in the commercial sense.

To illustrate this, let us take the leading instance to the contrary : the provision of electric light and locomotion. A moment's consideration will shew that the successes of municipal electricity belong to the early stages of the industry, and can only be maintained if the municipalities deliberately check its inevitable development by suppressing private competitors. So long as private enterprise can range over the whole country, whilst municipal enterprise cannot cross its own little boundary, so long will

the attainment of the maximum of economy and efficiency by the municipality be impossible. In London the absurdity of the separate electric lighting concerns of the Borough Councils can be got over by their consolidation in the hands of the County Council, which would then have an area at its disposal which no single private enterprise seems yet prepared to handle as a whole. But the administrative county of London is not England; and even London's boundaries do not form the most economical terminuses for her electric trams. In the country, municipal enterprise is reduced to absurdity by the smallness of the areas and their openly nonsensical boundaries. Mr. H. G. Wells's description of his residence on the boundary between Sandgate and Folkestone[1] (two places as continuous as Mayfair and St. James's), a boundary which no municipal tramcar or drain-pipe can cross, shews the hopelessness of substituting public for private Collectivism there. A shipping firm whose vessels were forbidden to cross any degree of latitude or longitude might as easily compete with the Peninsular and Oriental as the Folkestone municipality with a Trust which could (and would) operate over a whole province.

Abroad, this difficulty is emphasized by the use of water power as a source of electricity. If Niagara happened to be one of the falls of the Regent's

[1] *Mankind in the Making.* By H. G. Wells (London, Chapman and Hall, 1903), Appendix, p. 410.

Canal, the fact that St. Pancras and Marylebone may not light Shoreditch with electricity would be an unbearable folly. In England we look to our coal for power; and we are coming to the end of our easily accessible coal, whilst other countries are as yet coming only to the beginning of theirs. The loss of our relative advantage in power will sooner or later force us to look to our water power. We have not, like the Swiss and the Italians, an abundance of waterfalls. But we have the tides; and what hardly any of us yet seem to realize, in spite of the fascinating lectures of Mr. H. J. Mackinder on political geography,[1] is that tides such as ours, instead of being universal, occur only in a very few places on the globe; so that if we could harness to our industries the stupendous daily rush of millions of tons of tidal water through the Pentland Firth, not only need no Englishman ever go underground again for fuel, but the advantage would not be shared directly by other nations who have no such tides at their disposal. I mention this grossly insular consideration to those whose social sympathies stop at the frontier.

The alternative to water power is the generation of electric current from coal at the pit's mouth, and its distribution therefrom without regard to administrative boundaries over areas which include several municipal districts.

[1] *Britain and the British Seas.* By H. J. Mackinder (London, Heinemann, 1902), p. 339, etc.

In neither case can the electrical industry be handled adequately by local authorities whilst their activity is limited to existing areas. The boundaries of these areas correspond to no contemporary reality in distribution of population or natural configuration. Many of them are imaginary lines drawn along the middle of busy streets and closely inhabited roads: others cut across country like the scent of a hunted fox. In London at present, neither the London County Council nor the commercial electric traction companies can run an electric tram through a London borough without the consent of the Borough Council, which, being too small to provide London with tramways itself, can, and often does, prevent other people from doing it, mostly on grounds which are beyond human patience—for instance, that Tottenham Court Road rivals Bond Street as a fashionable shopping centre, and that if tram-lines were laid along it the aristocracy would desert it. Even when the London County Council is given power to over-ride this sort of opposition, it will be unable to touch railways, though it is clear enough that the problems of London housing will never be solved as long as Surrey and Kent remain for the most part less accessible to men who have daily business in London than Yorkshire and Lancashire.[1]

[1] I have myself had to leave a house situated on the main road from London to Portsmouth, with the fortieth milestone at my gate, because I could not keep appointments in London in less than three hours from door to door. The case of the more remote residents may be imagined.

Here, then, we find how impossible is the situation set up by the growth, within the last quarter century, of a vast machinery of modern industrial collectivism on the lines of a parochial system of localization which belongs to the time when it was possible for a famine to rage in one English county whilst there was a glut in the adjoining one. The Municipal Freedom League is an inevitable product of that situation. It is true that the Municipal Freedom League does not put the situation frankly before the public, because the moral of such an elucidation would not be the suppression of public enterprise in the interest of private enterprise, but the further reform, co-ordination, and extension of local government with a view to enabling it to deal with large districts. This is the last thing the League desires, because its one valid plea against the municipalities is the inadequacy of their areas.

Suppose, for instance, Mr. Emil Garcké were to say, "The Municipal Freedom League does not claim Municipal Freedom; it protests against Municipal Bondage. It is practically a committee of the commercial electrical enterprises of the country to protest against an intolerable state of things in which the municipalities, without having the power to develop the electrical industry fully itself, has the power—and uses it—to prevent our doing it. We are ready to effect a revolution in English industry by establishing, throughout whole provinces, a house-to-house distribution of electrical power which will

enable the intelligent individual craftsman to compete once more with the brute force of the factory. We are ready to link up entire manufacturing districts with networks of electric trams which will enable Englishmen to work in towns whilst their children grow up in the country instead of in slums. But we are stopped by the municipalities. This one has an Electric Lighting Order which gives it a virtual monopoly within its own ridiculous limits : that one will not allow a tramway to pass down its main street because the shopkeepers consider tramways vulgar. We represent capital, intelligence, education, technical knowledge, scope of enterprise and breadth of view ; and we are stopped at every turn by the narrowness, the ignorance, the timidity, the jealousy, the poverty of a series of little gangs of small shopkeepers, led by the local solicitor, the local auctioneer, the local publican and the local builder, who flourish their little monopolies and vetoes in our faces, and are determined that what was good enough for their great-grandfathers shall be good enough for the modern British Empire."

All this would be quite true enough and fair enough for all purposes of commercial controversy; but the remedy is, not to make our petty local authorities still more petty, but to develop our system of local government so that there shall be machinery for provincial and national collectivism as well as for parochial collectivism. Such a conclusion would not suit the anti-municipal agitators:

consequently they are driven to obscure the issue by attempting to revive the obsolete doctrines of the *laisser-faire* school, and to disparage municipal enterprise by those comparisons of private with public balance-sheets which, as we have seen, are worthless as a measure of advantage to the ratepayer.

None the less, as things now stand, the ratepayer has a real grievance. If he tries to establish electric tramways from county to county, or to reduce the cost of electric power (still ridiculously expensive in its application to domestic heating, for example) by making the generating centre supply a whole province, he can do so only through the local authority or through a commercial joint stock company. If, for the sake of cheap service and public control, he tries the local authority, he finds that its power, like that of the witch who cannot cross running water, stops at a boundary which dates, probably, from the Heptarchy. If he submits to the prices and the power of the joint stock company, he finds that the local authority vetoes the tramway, or has a virtual monopoly of power distribution within its own area. So it ends in his going without.

The reason why the League, which would be very powerful in parliament but for the tight hand kept by the great provincial municipalities on their borough members, does not get any serious grip of the electorate, is that its case is strong only where the interest of the ordinary private citizen is weak.

The grievance of being hampered in the exploitation of a whole province, is the grievance of a millionaire or of a Trust controlled by a group of millionaires, who are generally assumed to be Americans. The hostility of the average municipal councillor to these combinations, though it is a thoroughly unenlightened one, reflects that of the public at large. The municipal areas are still large enough for ordinary trading capitals of six or seven figures ; and, as we have seen, the case for municipal trading within these limits is overwhelming.

VIII

DIFFICULTIES OF MUNICIPAL TRADING (*continued*)

Housing

A LEADING case in which commercial enterprise has such decisive artificial, legal and political advantages over municipal enterprise that the municipality cannot compete with it, is the great building industry of housing the population. Compare, for example, a municipal housing scheme with a municipal electric lighting scheme. In the latter the municipality has as much scope within its own area as any joint stock company. It can light the palace of an ambassador, the show rooms of a universal provider, the benches of a factory, the dining room of the business or professional man, and the kitchen of a laborer. In short, it can supply everybody in the constituency. But in housing it is restricted by law to insanitary areas and to workmen's dwellings.

The London County Council may accept as a tenant an artisan earning from thirty shillings a week to several pounds; but a struggling journalist scraping together a precarious pound a week is turned from its doors. A private builder is under no such restriction. He can take an order for a cathedral and for a potting shed, for a millionaire's house in Park Lane and for the cottage of the millionaire's gamekeeper. In the intervals between large contracts he can keep his staff and plant employed on small ones. If he decides to go into the business of the housing of the working classes, he can proceed much more cheaply than the municipality. Instead of erecting huge blocks of dwellings with fireproof floors and all the solidities and sanitary appliances of what may be called parliamentary building, he may "run up" rows of small private houses which will presently become lodging houses; or he may adapt the family mansions of a neighborhood deserted by fashion for occupation by working class families. Under these conditions there can be no question of a commercial or any other test: comparison is impossible. The municipality is compelled to take the refuse of a trade and to carry it on in the most expensive way: the private builder has the pick of the trade, and can adapt his expenditure to the pecuniary resources of the tenant. The result is that municipal trading cannot justify itself by its results in this direction as it can in others, especially in great cities. The

buildings may seem palatial in comparison with the slums they replace ; and they are better appointed and not more barrack-like than many of the piles of flats used by middle class people ; but a visit to even the best of them will reveal the fact that the rents are too high for the wages of the occupiers. A flat let at nine shillings a week to a man earning twenty-four, married and with a family, solves the housing problem for him in a highly questionable manner. It makes parasitic labor practically compulsory for his wife and children. In fact it is the value of the County Council flat as a testimonial of respectability to the woman seeking parasitic labor that makes it worth the man's while to pay so high a rent, exactly as an address in Park Lane may be worth a huge rent to a man whose personal requirements would be equally satisfied by a house in Holloway or Peckham.

In passing, it may be said here that the views of the poor as to how to make the most of the family income vary more strikingly than the views of the rich. The laborer or humble shop assistant who pays nine shillings a week for a flat of two or three rooms out of a wage of twenty-four, contrasts with the skilled workman who earns from thirty to fifty shillings a week, and sometimes more, and who nevertheless lives in one room, never troubles himself about respectability, and spends his money on "good living," by which he means a gluttonous Falstaffian jollity. He and his family are hearty

eaters, hearty drinkers, loud laughers, indefatigable excursionists, noisy neighbors, and prompt strikers. And it is not easy to declare with any conviction that they have chosen worse than the people who sacrifice everything to a craze for respectability, which is sometimes almost as ruinous as a craze for drink. For the twenty-four shilling votary of respectability is a very mild case. Every house-to-house student of poverty tells us of single women or widows with wages that fluctuate from four to ten shillings, or, in momentary crises of prosperity, to twelve or thirteen, who nevertheless keep their rooms spotlessly neat, and shiver through the winter, fireless, without underclothing, in dresses that are superficially decent, while in the same house slatterns live disgracefully on four times their income, or Bardolph and Mrs. Quickly set an example of roaring, jovial blackguardism. Then there is the poor person with a "fancy," who cannot live without a horse, or a dog, or a bird, or flowers, or pigeons, or some musical instrument, things apparently as wildly beyond their means as steam yachts and motor cars, which they yet manage to procure by simply sacrificing every other consideration to them, as beggar-misers get and keep bags of sovereigns even if they have to eat carrion to do it. We are apt to forget that the fancy for respectability is often as unintelligent and thriftless as any of the other fancies. We are revolted at the heartlessness of the man who starves his wife to provide cutlets for his pet dog;

but we applaud the widow who starves her children, physically and morally, in order to bring them up respectably and be respectable herself. In the poor middle class this is a crying evil : boys who have the making of strong artisans in them degenerate into underfed clerks ; numbers of wretched little private-venture schools for young gentlemen and ladies, which ought to be suppressed more ruthlessly than gambling hells, keep children out of the Board schools and Polytechnics ; and girls grow up into shabby-genteel "ladies," whose ignorance, incompetence, and unsociability defy description. But this mania for respectability does not disappear at the boundary of the middle class. It goes down to the very basement of society ; and this fact has an important bearing on the housing problem, because your respectability is judged by the street, house or room you live in just as much in the slums as in the squares. And the tendency in all classes is to spend too much in keeping up appearances. However honorable any ambition may be when it is taken in the economic order of its real importance, it may become disastrous when it is taken out of that order. If you have to choose between underfeeding your boy and patching his knickers, patch his knickers. If you have to choose between underclothing your daughter comfortably and overclothing her presentably, underclothe her comfortably. But unfortunately underfeeding and underclothing can be concealed ; and patching and overclothing cannot.

And so the order in which they are taken is too often the opposite of the economic order. In the same way the obvious respectability and order of the County Council flat at three shillings a room, however great an advance they may be on the poisonous squalor of the sewage saturated cellars at four and sixpence which figure in the report of the Royal Commission as samples of the results of private enterprise, are nevertheless too dear in a city where twenty-four shillings is the standard municipal wage for laborers, and where the Imperial Treasury, to its disgrace, refuses to pay even that modest figure.

The special difficulty in housing finance is the extraordinary manner in which the question of cost price is complicated by the phenomenon of economic rent, that rock on which all civilizations ultimately split and founder. In a municipal electric supply there is no difficulty about cost price, because a unit in Piccadilly costs no more than a unit in Putney. But the freehold of an acre of space for dwelling purposes costs from nothing to a million according to its situation. To convert the Mansion House into a block of workmen's dwellings would cost the price of a small frontier war ; but the Richmond Corporation finds it within its resources to devote a whole road to workmen's cottages with gardens ; and the Richmond Corporation itself envies the still greater facility with which municipal cottages are multiplied in Ireland. If a municipality owned all

the land within its jurisdiction, it would still have to make the occupiers, including its own departments, pay rent in proportion to the commercial or residential desirability of their holdings; but it could pool the total rent and establish a "moral minimum" of house accommodation at a "fair rent" on a perfectly sound economic basis. At present it has to throw economics to the winds by buying land at its real market value, and charging it to its housing schemes at its value for working class dwellings (a pure figment), the ratepayer making up the difference between this and the real market value. Having performed this conjuring trick, the municipality generally proceeds to pass a resolution that the dwellings shall be let at rents sufficient to prevent any loss coming upon the ratepayers, without mentioning that they have already borne a loss which does not appear in the housing accounts. Even then, the effect of the resolution, when it is strictly carried out, is to put the rents too high for the sake of enabling the Borough Treasurer to make a delusive demonstration that the dwellings are paying their way commercially.

Socially, of course, they may pay their way with a handsome profit. It is true that they are seldom occupied to any extent worth reckoning by the occupants of the slums which have been demolished to make room for them. They are taken by people who are on the verge of the middle class, and by the respectable-at-any-price poor. But these people

are shifted up from private lodgings of the highest working class grade, which, being left vacant, have to be relet to second grade tenants, who leave their rooms vacant for the third, and so on to the lowest grade, all being shifted a step up. But the transaction is very slow and very costly. Each scheme is entered upon to meet a particular local emergency; and long before the years of preliminary red tape are worried through, the emergency has been settled by the brute force of necessity; and though new emergencies have arisen, the old scheme is more or less a misfit for them: indeed it may have become apparent that the right cure is not a local housing scheme but a locomotion and country housing scheme.

On the whole, though municipal housing is popular because "there is something to shew for the money," and because it deals with a notorious and frightful evil, its opponents can always easily demonstrate that in city centres at least the schemes are commercially hopeless, and that though the rents are too high for the incomes of the tenants they are yet so low relatively to the real site value that the tenants are virtually receiving a grant in aid of their wages at the expense of their fellow citizens, which grant is exploited by the parasitic trades in the manner explained in Chapter IV.

It should not be forgotten that the housing question is not one of building only: it is also one of demolition. Houses do not last for ever; and

we have not yet settled the best lifetime for the builder to aim at. Building "great bases for eternity" may be the work of a cathedral builder; but as far as ordinary dwelling houses are concerned, there is a growing opinion that living in the same house all your life and then leaving it to your children is as unwholesome as wearing the same sheepskin and handing it also on to posterity. It may be that the municipal by-laws of the future will include a prohibition of the use of a dwelling house for longer than twenty years. In any case it is clear that a good deal of XIX century building will prove very shortlived, and that the rows of cheap houses built for clerks and artisans on the sites of the suburban parks and country houses of 50 years ago will presently begin to figure as "condemned areas" on our municipal agenda papers. Besides the decay of the jerry-built brick box, we shall have to face the obsolescence of the solidly built "model" or municipal tenement block. These places seem at first so enormously superior to the filthy rookeries they replace that their revolting ugliness, their asphalted yards with the sunlight shut out by giant cliffs of brick and mortar, their flights upon flights of stony steps between the street and the unfortunate women and children on the upper floors, their quaint plan of relieving a crowd on the floor by stacking the people on shelves, are overlooked for the moment; but long before they become uninhabitable from decay they will become as repug-

nant as the warrens they have supplanted. In short, the municipalities of the future will be almost as active in knocking our towns down as in building them up.

At present the demolition problem has been so little thought out that the law gravely enacts that the municipality must rehouse all the people it displaces by demolishing a rookery. As a rookery is always so outrageously overcrowded that not even by replacing two-storey houses by dwellings built up to the extreme limit allowed by the Building Acts is it possible to rehouse the tenants on the same site, the municipality has either to let the rookery alone or acquire extra land for rehousing. Now this is not always possible without fresh displacements. The whole district may be overcrowded; and in that case the only remedy is for the excessive people to go elsewhere ; and this, of course, raises the insoluble question as to which persons are excessive. In practice what happens is that the letter of the law is admitted to be impracticable ; and the municipality bargains with the Local Government Board as to how many people it must rehouse. It offers to rehouse a third ; the Board demands two thirds ; and after much chaffering what is possible under all the circumstances is done.

If the obligation to rehouse were imposed on private and municipal enterprise alike, municipal housing would be at no disadvantage on this point.

But commercial enterprise is practically exempt from such social obligations. Within recent years Chelsea has been transfigured by the building operations of Lord Cadogan. Hundreds of acres of poor dwellings have been demolished and replaced by fashionable streets and "gardens." The politics of Chelsea, once turbulently Radical, are now effusively Conservative. The sites voluntarily set aside by Lord Cadogan for working class dwellings on uncommercial principles of public spirit and personal honor have not undone the inevitable effects of the transfiguration of the whole neighborhood. The displaced have solved the rehousing problem by crossing the river into Battersea. Thus Lord Cadogan is more powerful than the Chelsea Borough Council. He can drive the poorer inhabitants out of the borough: the Council cannot. He can replace them with rich inhabitants: the Council cannot. He can build what kind of house pays him best, mansion, shop, stable or pile of flats: the Council cannot. Under such circumstances comparison between the results of his enterprise and the Council's is idle. The remedy is either to curtail Lord Cadogan's freedom until it is no greater than the Council's, or else make the Council as free as Lord Cadogan. As the former alternative would end in nothing being done at all, and rendering impossible such great improvements as have been made both in Chelsea and Battersea by Lord Cadogan's enterprise, the second alternative—that of untying

the hands of the ratepayer—is obviously the sensible one.

The obligation to rehouse is imposed on railway companies and other enterprises which have to obtain parliamentary powers. But they evade the obligation to a great extent by privately acquiring the house property they need, and evicting the tenants before they clear the area; so that when the hour for demolition comes there is nobody to be rehoused. This is the explanation of the furious intensity of local feeling against the railway companies. The people driven off the areas cleared by them overcrowd the surrounding neighborhood; and many small shopkeepers who are not themselves disturbed are ruined by the removal of their customers. There is no compensation and little rehousing. But this local unpopularity, to which the railway company is indifferent, could not be defied by the local authority. It may acquire land for the future extension of its electric lighting works or the like; and in gradually clearing this land it no doubt takes care to deal with a few houses at a time in order to avoid the obligation to rehouse which becomes operative when ten houses are dealt with at one stroke; but even in this it has to proceed with a constant care to avoid "hardshipping" its constituents, whereas a commercial company will spread disaster through a whole ward without the least consciousness of what it is doing. This is only a striking instance of the inconvenience and suffer-

ing which the movements of commercial enterprise cause daily in crowded communities because they are wholly unconcerted. Municipal civilization is nothing but a struggle to get the operations of civic life better concerted. Meanwhile, the fact that the commercial speculator can with impunity be inconsiderate to a degree that would cost every municipal councillor his seat at the next election must be constantly borne in mind in any comparison of private with municipal enterprise.

Finally it must be admitted that until the municipality owns all the land within its boundaries, and is as free to deal with it and build upon it as our ground landlords are at present, the problem of housing cannot be satisfactorily solved.

IX

THE MUNICIPAL AUDIT

THERE are certain differences between the legal conditions of communal and commercial finance which must be taken into account in comparing them. These differences are mentioned here because, however wholesome they may be in the long run for municipal enterprise, they sometimes handicap it at the start.

A private company does not pay interest on its capital until its capital actually earns the interest. Nobody expects this to happen at once; and sometimes it does not happen at all. In any case the company treats its capital as a property to be held for ever. A municipality has to pay interest from the day the capital is borrowed; and it must not only treat that capital as a debt to be paid off, but the paying off must begin at once, concurrently with the interest. It is thus compelled to bequeath to posterity a freehold property and goodwill for

which it has had to pay handsomely; and the result is that the Irishman's jesting question as to what posterity had done for him that he should do anything for posterity, is becoming a serious question in the mouths of English ratepayers. The rough and ready reply that though the individual dies the community is immortal, and its life must be treated as infinitely continuous, is plausible; but even an immortal individual would starve if he invested all his income and spent none of it; and a community can sacrifice the present to the future in the same way. For instance, the immortality of the nation would not justify a Chancellor of the Exchequer in attempting to pay off the national debt in one year. If commercial traders and joint stock companies could set up industrial plant only on condition that they must form a sinking fund to pay off its cost within a period not greater than its lifetime, and often considerably less, the outcry would be heartrending; and the newspapers would be filled with demonstrations of the impossibility of trading on such terms.

Something of the kind is actually done at present when a concession is given to a private tramway company on condition that at the expiration of a term of years it shall hand over its lines to the municipality for their market value as scrap iron. But the difficulty about such contracts as these is that the courts will not enforce them. To a statesman or a socialist it is just as reasonable to compel

a private company to buy itself out within a fixed period—for that is what such a condition comes to —as to place the same obligation on a municipality. Both have to make a present to posterity if anything is left at the expiry of the term. But there is nothing unprecedented in this. The inventor has to present his invention to posterity at the end of fourteen years, and the author his book at the end of forty-two years, or seven years after his death; whilst the London shopkeeper has to present his goodwill to his landlord at the end of his lease. And yet the same judge who will enforce the consequences of the expiry of a patent or copyright, and of the falling in of a lease, as if they were the most obviously natural and proper of arrangements, will refuse to enforce the scrap iron clause against a tramway company on the ground that it is inconceivable that Parliament could have contemplated anything so monstrous as its Act seems to imply. The result is that whereas a municipality is always held rigidly to its bargain, a commercial company can defy even an Act of Parliament if it is careful to conciliate all private opposition and attack nothing but the interests of the community. It is true that Acts of this description have sometimes driven too hard a bargain, as the electrical lighting companies succeeded in shewing when the term was lengthened from twenty-one to forty-two years. But municipal trade has suffered in the same way, many municipal projects having been abandoned

or postponed because the term of repayment was too short.

In everyday practice, it is not so much the judge as the official auditor who is to be feared by the municipalities. It is not at present at all difficult to find a barrister who is thoroughly disaffected to municipal trading. If such a one were appointed by the Local Government Board to audit the accounts of a County Council, a London Borough Council, or an Urban District Council,[1] he might, on the very plausible ground of keeping it up to the mark commercially, insist on allowances for depreciation which, as the actual wear and tear is in practice made good out of revenue, and a reserve fund is maintained to replace scrapped machinery, might virtually load the enterprise with a second sinking fund, and enable the opponents of municipal trading to point to commercial companies which (having no sinking fund at all) could shew more economical and businesslike figures. On the other hand, if the auditor has not a formidable power of public criticism, the struggle which goes on in a local authority between the electric lighting committee in its efforts to hold over its profits under the head of reserve fund, and the rest of the council in its desire to distribute the profits among the ratepayers in the form of the always popular

[1] Municipal Corporations (except Tunbridge Wells, Bournemouth, and Southend-on-Sea) are not subject to the L.G.B. audit. The ratepayers elect two auditors and the Mayor nominates a third. In other words, the Municipal Corporations are not audited at all.

contribution in aid of the rates, may lead to the pillaging of the reserve fund for electioneering purposes, and even to such depreciation of plant as used to occur in the early days of continental State railways, when impecunious finance ministers swept the railway fares into the treasury and allowed the rolling stock, the permanent way, and the stations to decay. And yet if the auditor be empowered to dictate the financial management instead of simply to criticize it and check the items, he might discredit the most beneficial public enterprises by "simply looking at them as a man of business." He could not very well insist on street paving being put "on a sound business footing" by means of turnpikes and tolls which would make municipal paving "pay"; but he might, without shocking public opinion, insist on commercially profitable charges for water and light in addition to a double sinking fund (a double present to posterity) and thus enable the Municipal Freedom League to prove by figures that communal enterprise is less economical than commercial enterprise.

These possibilities are by no means fantastic. The report of the Commission on Municipal Trading (Blue Book No. 270, 23rd July 1903, 4s.) contains several sensible suggestions as to the auditing of municipal accounts; but as the recommendation "that the auditor should certify that separate accounts of all trading undertakings have been kept, and that every charge that each ought

to bear has been duly debited" is not balanced by any consideration of the invisible credits of municipal trade, it may be inferred that parliament is still disposed to apply the commercial test to communal enterprise; and it is not the business of the Local Government Board to be more enlightened than parliament, though the Board is no doubt more exposed to the brute force of fact, which soon brings the most hardened commercial doctrinaires to their senses in the fairly obvious cases. The very municipalities themselves are dominated by the commercial view, and often encourage themselves rather childishly, keeping their accounts in such a way as to produce the utmost possible appearance of commercial prosperity by throwing as much as possible of the expenses on the general rate whilst crediting the receipts of each municipal service to its special department. There is, in fact, for the moment a serious menace to municipal enterprise in the cry for commercial auditing.

Fortunately, the demand is not a permanently practicable one. Experience soon reduces commercial auditing to absurdity when it is applied to municipal business, quite as much because it is too tolerant in some directions as because it is too exacting in others. Municipal auditing is technically a distinct branch not only of accountancy but of law; and it is no more the business of the ordinary accountant or barrister than pleading points of international law before the judicial com-

mittee of the Privy Council is the business of the ordinary Old Bailey practitioner. It will finally develop as a practically separate profession ; and it is only in the meantime that we need be on our guard against the vulgar cry for treating a municipal enterprise like any other business, on sound business lines etc., etc., etc.

The most commercially obsessed auditor, when he first touches municipal trade, is brought up standing by the novel fact that the duty of the municipality is to make as little profit as possible, whereas the duty of the commercial company is to make as much profit as possible. An electric lighting company paying a dividend of 10 per cent is a triumph of good management : a municipal electric lighting committee making profits at the same rate is guilty of social malversation, which the auditor should at once expose and challenge.

To understand this, the ratepayer must imagine himself in the position (if he does not already actually occupy it) of a consumer of municipal electric light. He pays at the usual commercial rate : say 6d. to 2d. per unit. At the end of the financial year he learns that the profit on municipal lighting has been so great that the electric lighting committee has been able to hand over a sum in aid of the general rate which reduces it by a penny in the pound. Is he gratified by the intelligence ? Not at all : he indignantly demands what the municipality means by overcharging him for current

in order to relieve the rates of his neighbors who burn gas or oil. And his protest is perfectly justified. The object of municipal trading is not relief of the rates: if it were, it might be manipulated so as to throw the entire burden of local taxation on certain classes of consumers exactly as the entire burden of local taxation in Monaco is thrown on the gamblers of Monte Carlo. Its object is to provide public services at cost price. This cost price, to make the service really economical in the wide sense of good municipal statesmanship, may include higher wages to unskilled labor than a private company would pay, and it of course includes interest on the capital raised by the general body of ratepayers. To this a cunning municipality will perhaps add some little bribe to the general ratepayer lest, when not expecting to be himself a consumer, he should refuse to trouble himself about the service, and vote for an avowed opponent of it. It will even retain a little profit to encourage itself; for the commercial habit is strong in the average councillor. But more than this the municipality has no right to charge except with the deliberate purpose of readjusting the burden of the rates by an obviously abusable method which should be challenged by a good auditor. The reckless way in which municipal trading is often recommended from the platform as a means of relieving the rates shews that some of its popular advocates understand it as little as its popular opponents; but the question

comes up sharply enough in practice on the municipalities; and charges are kept as near to cost as is compatible with the excessive caution which characterizes municipal enterprise. This is done, not on principle, but because of the curious jealousies which exist between municipal committees, and between each committee and the whole council. Thus, when the electric lighting committee makes a profit it tries to keep it by crediting it to the reserve fund. A proposal to apply it to the reduction of the rates usually comes from the Finance and Rating Committee in the form of an amendment to the Electricity Committee's report. Furious hostility between the committees ensues; and if the amendment is carried, the Electricity Committee considers that the Finance Committee has plundered it, and takes care, next time, to reduce the price of current to the consumer so that there shall be no profits to be seized upon.

Thus the theoretically right course is taken even when the councillors do not understand the theory; and the practice is to avoid profits by keeping prices down to cost. The absence of profits is, in fact, a proof of the proper conduct of the enterprise. Such absence in a commercial company would be a proof of incompetence. An auditor therefore has to apply precisely opposite tests to municipal and commercial undertakings. His view of a commercial company is that the

larger the profits, the sounder the undertaking. His view of a municipal supply is that the less the profit, the honester the finance of the borough. Above all, if he is to certify, as the Committee on Municipal Trading recommends, "that in his opinion the accounts present a true and correct [sic] view of the transactions and results of trading for the period under investigation" he must estimate not only the appropriated profits which would go to commercial shareholders as dividend, but the total social utility of the enterprise during the year to the ratepayers. And this is a sort of accounting which neither the Institute of Chartered Accountants nor the Incorporated Society of Accountants and Auditors yet profess.

X

THE MUNICIPAL REVENUE

One of the keenest grievances of the commercial man who sees profitable branches of his own trade undertaken by the municipality is that it is competing against him "with his own money," meaning that it forces him to pay rates, and then uses the rates to ruin him in his business. The effective platform reply to this is that the profitable municipal trades, far from costing the ratepayers anything, actually lighten their burden. The commercially unprofitable trades are left to the municipality without demur. The trades by which private contractors make profit and the municipality none, are, as we have seen, mostly sweated or parasitic trades which in the long run add heavily to the ratepayer's public and private burdens.

But in any case the alleged grievance is far stronger as against commercial than as against communal competition. The private tradesman has to

pay rent and interest as well as rates. Rent is the great original fund from which industrial capital is saved ; and interest on that capital eventually forms a second capital fund of equal or greater magnitude ; so that when a shopkeeper finds his business captured by a huge joint stock universal provider, he is being competed against "with his own money," paid by him to his landlord or to the capitalist from whom his capital is borrowed, just as much as when the new competitor is a municipality.

Nothing shows the economic superficiality and political ignorance of the ordinary citizen more than the fact that he submits without a word to the private appropriation of large portions of the proceeds of his business as rent by private landholders, whilst he protests furiously against every penny in the pound collected from him by the municipality for his own benefit. The explanation probably is that in signing his lease he has explicitly accepted the rent as inevitable, and at least has his house or shop to shew for it ; whereas the rate collector strikes him as a predatory person who makes him pay for streets and lamps, schools and police stations, in which he has no sense of property.

Still, in dismissing the usual grievances on this subject as unreasonable, it must not be assumed that rating is a satisfactory method of raising revenue. A rate is simply a tax on houses : that is, a tax on an article of prime necessity. If it were shifted to bread there would be an overwhelming outcry about

taxing the bread of the poor; and yet the poor suffer more from want of house room than from want of bread. What is more, the poor, under pressure, can contract their requirements of house room in the most disastrously unhealthy way. Eight people cannot live on a single ration of bread; but they can sleep in one room, and even take in a lodger.

We are all in the habit of estimating a man's means by the value of the house he lives in. Shopkeepers give credit to a good address much more readily than to a good man. The Income Tax Surveyor, making a guess at the income of an actor or journalist or artist, assesses his address, and can be brought down promptly by the modest admission, "I have only two rooms on the second floor." But scientific precision cannot be claimed for this method. A man living in a house worth £150 a year is pretty sure to be a well-to-do man if he uses the whole house as his private residence; but many people pay that rent in order to carry on the business of lodging-house keepers, in which case they live in the basement and the attics, and would not dream of taking a house for their own use at so high a rent as a third of that sum. The differences between business premises are as great as the differences between business and private premises. A single small room in Bond Street will accommodate a fashionable palmist who may be making a considerable income. Next door a manufacturer of motor cars, requiring a hundred times as much space, may

be making no profits at all. In cheaper neighborhoods, the same contrast may occur between a watchmaker and a jobmaster or furniture remover. On the whole, there is very little to be said for our rating system as an index of what each individual ratepayer can afford to pay.

The only thing to be said for the system is that it is a rough way of taxing rent, since, theoretically, the rate falls on the landlord. It does so in fact as well as in theory when the tenant is rackrented to the last farthing; but then very few ratepaying tenants are so rackrented. If the tenant would at a pinch pay another £2 a year, say, sooner than move (a pretty common case, one guesses), he is from the economists' point of view enjoying £2 a year of the rent; and if his rates go up by £2 he will not be able to shift the increase on to his landlord: all that will happen is that his rent will become a rackrent instead of falling £2 short of it. The rate collector takes what the landlord spared. Thus the increase in local rates which has taken place of late years must to a great extent have fallen on the ratepaying tenants instead of on the landlords; and this explains why the tenants resist the rates so strenuously in spite of all abstract economic demonstrations that it is the landlord who pays in the long run.

The popular remedy is to rate site values directly, collecting from the tenant as usual, but empowering him to deduct from his rent *ad valorem*. Thus if the rate be a shilling in the pound on the site value,

a shilling is deducted by the occupier from every pound he pays the leaseholder, and by the leaseholder from every pound he pays the ground landlord.

There is nothing impracticable or incomprehensible in this. The real objection to it, as Voltaire pointed out 150 years ago in "L'Homme aux Quarante Ecus," is that it throws the whole weight of local taxation on the proprietor of land, the most responsible and active sort of proprietor, and exempts the people who do nothing but order their banker to cash their dividend warrants and cut off their coupons for them. A landlord has to look after his property: in fact, some of the strongest arguments in favor of municipalization of land are drawn from a comparison of the handsome work done by great landlords in developing towns and districts, with the meaner results of petty proprietorship. The landlord, far from being the worst sort of proprietor, is the best. The admitted objection to property as an institution is that it inevitably creates an idle class of rich people. But in England this was faced cheerfully enough as long as property meant property in land, because even the most complete emancipation of the landlord from feudal duties left him still personally responsible for the prosperity of his estate; and when he neglected or mismanaged it (as no doubt he often did) at least he finally impoverished himself as well as others. It was not until the industrial revolution of the XVIII and XIX centuries de-

veloped the joint stock system, that our manufactures began to throw vast quantities of money into the hands of shareholders who were completely cut off from the management of their property, and whose children grew up with the purse of Fortunatus and without exercising personal supervision or bearing personal responsibility of any kind in return for it. This is the explanation of the apparently anomalous incidence of the Income Tax, which, by sparing the poor and striking at the rich, recognizes the fact that personal industry is often in inverse ratio to income.

In the face of this social development the cry for concentration of local taxation on site values will recommend itself in principle to nobody except those whose income is derived exclusively from industrial dividends. Colossal as the phenomenon of "unearned increment" is in great cities, it differs in nothing but its obviousness from the incomes which result from it when it is invested in industrial enterprise. When a ground landlord sells an acre of land in the centre of London for a million, and invests that million in Consols which bring him in £25,000 a year, he does not exchange an unearned income for an earned one: he only exchanges a position of responsibility as a landholder strongly interested in keeping up the character of a London neighborhood, for a position of indifference to all public considerations whatsoever. To exempt him from rating at the expense of the purchaser of his acre would be

to make the landlord a Jonah and throw him to the whale of Socialism. If any discrimination is made between classes of proprietors it should operate in the other direction. Lord Cadogan and the Dukes of Westminster, Bedford, Portland, etc., may with some plausibility claim that the difference between their properties and the surrounding ones is worth paying them for. Sir Gorgius Midas and his progeny have nothing to say for themselves at all. It may, of course, be politically convenient to enlist Sir Gorgius for the attack on the landlords, and then, when the battle is won, invite the landlords to revenge themselves by joining in the campaign for a graduated and differentiated Income Tax, exactly as the landlords revenged themselves for Free Trade by carrying the Factory Acts against the manufacturers. But this treatise is concerned not with parliamentary tactics, but with political science.

Perhaps the most urgently needed discrimination is between people who are able to pay rates on some scale or other and those who cannot afford to pay them at all. It is admitted that persons with incomes of less than £160 a year cannot afford to pay income tax; and we allow abatement even to people with as much as £699 a year. Now we have multitudes of small tradesmen and shopkeepers who make less than £160 a year, and are nevertheless left staggering under the burden of rates of from six to nine shillings in the pound on the valuation

of their premises. These men resist the rates with desperation; and they are quite right. Everything that has been said in the preceding chapters as to the productiveness of municipal enterprise can be reduced to the single formula that municipal trade is a good investment. So is life insurance, for the matter of that; but suppose a man cannot afford the premium, what then?

Let us examine this point a little more closely. The cardinal difference between private and municipal enterprise for the capitalist is that investment in the one is voluntary, whilst investment in the other is compulsory. Let it be granted as a set-off to the compulsion that the municipal investment is unexceptional in point of soundness. What you get then is Compulsory Investment, which many rash people think must be a thrifty thing, because they identify investment with saving, and cannot conceive saving as wrong under any circumstances. As a matter of fact, for the majority of the unfortunate inhabitants of these islands, thrift in this sense is one of the most heartless and ruinous of all the vices. A poor woman who receives five shillings can always take it to the post office savings bank and refrain from spending it on the wants of the moment. Many well intentioned people who have been made hopelessly silly in money matters by large independent incomes, habitually urge working folk to take this course on all occasions, apparently under the impression that the wants of the moment for the poor refer

exclusively to gin. But it is clear that if the woman's boots are falling to pieces, the purchase of a new pair will be a far more thrifty proceeding than the banking of the money. The lives of most poor women is a continual struggle to keep themselves and their children dryshod. I purposely leave the food question, the starving child, the aged father and so forth out of the question, because purchasers of half crown books on Municipal Trading regard them as melodramatic figments, though they are the most constant and pressing realities to millions of poor people.

In short, saving and investment are quite secondary duties: the first and the hardest is expenditure on present needs. Saving, investment, life assurance, all of them most prudent and excellent operations for people who have had as much of present nourishment as they need, and still have something to spare, are, for heads of families in a state of privation, slow forms of suicide and murder; and those who preach them indiscriminately should be indicted for incitement to crime. When a bishop offends in this way, people who really understand the situation feel their blood rising almost to guillotining point. Yet, after all, the bishop does not force people to take his inconsiderate advice. But the municipality does. The London County Council, for instance, goes to many an unfortunate wretch grimly struggling with poverty in a little shop, underfed, underclothed, underhoused, and consequently desperately in want of more money to spend on himself and his family. Taking him by

the scruff of the neck, it says to him, "Come: you must invest in the general prosperity of this magnificent metropolis, of which you are—or ought to be—proud to be a citizen. You must no longer cross the Thames in a wretched penny ferry boat: you must build a colossal Tower Bridge, with splendid approaches; or you must pass underneath in tubular triumphs of modern engineering. You must no longer walk through slums from the Strand to Oxford Street: you must make a new and lordly avenue flanked with imposing buildings. And you must cheer yourself up with parks and bands, and run delightful steamboats on the river for your recreation on summer evenings." Is it any wonder that the unhappy victim of this comprehensive civic patriotism turns savagely on his Progressive benefactors and asks them whether they suppose his name is Carnegie or Pierpont Morgan or Rothschild that he should be forced into the schemes of millionaires. And the irony of the proposals is the more biting as he well knows that if the improvements happen to effect his own business beneficially, his landlord will take the first opportunity to appropriate the increment by putting up his rent.

This grievance is one which cannot be argued away, and cannot without gross callousness be disregarded. There should clearly be complete exemption from rates for persons whose income is below a certain figure. We have no right to force on people conveniences that they cannot afford. The

particular device by which this is to be effected need not be gone into here. It is enough to say that though a general reduction of rates would end in an equivalent increase of rents, and although the exemption of a particular class of tenants would enable the landlords to confiscate some of the relief exactly as the employers of pensioners manage to confiscate some of the pension by paying lower wages to the pensioner, yet an exemption applying only to particular and exceptional cases could not produce anything like an equivalent rise of rents.

The moral is that the relief of the ratepayer, whose burdens are heavy enough to crush all enthusiasm for municipal schemes that threaten to raise the rates, should be accomplished by taxation of income, heavily graduated and differentiated against unearned income. It could be collected by the Inland Revenue Department and distributed by the method of grants in aid. The grant in aid is an excellent device when it is made conditional on the efficiency of the services for which it is earmarked; and this, of course, implies control and criticism by a vigorous and capable Local Government Board.

On the continent, taxation of income for local purposes is freely resorted to; and each town has a custom house, or octroi, at every gate. There is an octroi at Newcastle-on-Tyne, and perhaps in some other English towns; and there is no valid theoretic objection to this means of raising local revenue, except the impracticable general objection

to all indirect taxation. But as an octroi is an intolerable hindrance to people who are unaccustomed to it, and as taxation of income, and even ordinary rating, are far more scientific methods of raising local revenue, it is not likely to be resorted to unless an absolute refusal of the electorate to sanction sufficient direct taxation to meet the growing necessities of the municipal exchequer makes a crude resort to indirect taxation unavoidable.

There is another difficulty in municipal finance. When there is any work to be done by a municipality, the question presents itself, shall it be paid for out of the general rate for the half year, or shall it be paid for by a loan?

According to the popular view, the thrifty course is to pay as you go, and not add to "the burden of municipal debt." The correct financial theory is undoubtedly just the reverse: all expenditure on public works should be treated as capital expenditure. The capital should be raised in the cheapest market, and the rates used to pay the interest and sinking fund. When a municipality which can borrow at less than 4% deliberately extorts capital for public works from tradesmen who have to raise it at from 10 to 40% or even more, it is clearly imposing the grossest unthrift on its unfortunate constituents. In practice everything depends on the duration of the work. It would be absurd to pay for an electric lighting plant out of the half year's revenue. It would be silly to raise a loan to clear

away a snowfall. But between these extremes there is much debateable ground on which the economic presumption is usually quite erroneously taken to be in favor of present payment. The result may be a rate so high that the struggling ratepayers (a large class in our cities) have to borrow the money to pay it, in which case they are clearly raising capital on their own private credit at comparatively exorbitant interest instead of on their public credit through the municipality. This is due solely to the habit of calling the capital of the municipality its debt. Municipal trading is the best cure for this habit; and one of its indirect advantages is that it trains councillors and auditors to take a much more intelligent and considerate view of the ratepayers' interest than they do at present.

In comparing municipal with commercial enterprise, the power of the municipality to make apparently unlimited calls on the ratepayers' pockets is generally classed with those advantages on the municipal side which are so overwhelming as to be called unfair, meaning only that they are advantages beyond the reach of commerce. In the same sense the competition of the mammoth universal provider with the petty shopkeeper is unfair; the competition of the electric light with gas, or of the railway with the stage coach was unfair; and the use of rifles by civilized armies against Zulus armed with assegais is unfair. But it is easy to exaggerate the advantage of the municipality in this respect. Every additional

penny in the pound is so fiercely contested by the ratepayer, who is also an elector, that far more mischief is done and money wasted by municipal impecuniosity than by municipal extravagance. In spite of the fact that our citizens get better value for their rates than for any other portion of their expenditure, they voluntarily give thousands to company promoters to make ducks and drakes of with a better grace than they give shillings to the rate collector for the most indispensable requirements of civilization. When the election comes round, woe to the party that has put up the rate! If any opponent of municipal trading really thinks that the ratepayers' pocket is the treasury of Rhampsinitis, let him become a municipal councillor and try.

XI

OUR MUNICIPAL COUNCILLORS

WHOEVER has grasped the full scope of the case for Municipal Freedom of Trade will see that the practicability of public enterprise is limited only by the capacity of its organizers and administrators. And this raises the question, where are we to find our municipal statesmen?

Let us first see what attractions the career of a municipal councillor offers, and what its drawbacks are.

As compared with a member of parliament, a municipal councillor has an almost unbounded liberty of conscience and initiative. The party discipline which is a necessity in Parliament does not exist in municipal government, because the procedure of the councils differs widely from that of the House of Commons. There is no Cabinet, no Government, and no Opposition. There are, of course, Moderates and Progressives, Conservatives

and Liberals, Labor members and Independents, Established Churchmen, Free Churchmen, and No Churchmen ; and these form voting combinations, and carry their alliances and their feuds into the council chamber, appointing "whips," holding party meetings, and playing at party government by offering perfectly imaginary services to the real parliamentary parties in order to increase their sense of personal importance, and to establish a claim for their leaders on birthday honors and on adoption as parliamentary candidates, or at least on the fantastic orders of chivalry established by the Primrose League and its imitators. But all this is child's play, because there is no Government in the parliamentary sense, and consequently a vote against one's own party involves no ulterior consequences.

This will be better understood from a description of the organization of a municipality. The executive work is, of course, done departmentally by a paid permanent municipal staff. There is a sanitary department with the Medical Officer of Health as technical chief and a Chief Clerk as business chief. There is a Highways, Sewers and Public Works department (or some such title) under the Borough Engineer and a Chief Clerk. There is a Finance and Rating department under the Borough Treasurer or City Accountant and a Chief Clerk. There is perhaps an Electric Lighting Department, under the Electrical Engineer

and a Chief Clerk. And so on, the central department being the General Business department under the Town Clerk, who is the head of the official hierarchy. On the parliamentary system, each of these departments would be presided over by a councillor selected on strict party lines ; and these presiding councillors would be called Ministers and would form a Cabinet, the "first lord" of the General Business department being the Prime Minister and leader of the Council. All regular municipal legislation would be brought forward by this Cabinet ; and on the rejection of any of their resolutions, or the carrying of a vote of censure against them, they would resign ; a general election would take place in the borough, and a new Council be elected ; and a new Cabinet would be formed. And the effect of this system would be that no member would be free to vote on any measure on its merits, because, as the effect of his defeating it would be to change the whole Government of the district (with the general policy of which he might be in cordial agreement) and transfer it to another party (the general policy of which he might consider ruinous), besides putting himself and the ratepayers to the heavy expense of an election, he would find himself repeatedly voting simply to keep his party in office without the slightest reference to the particular measure at stake, and would finally give up all pretence of discussion, and insist on being pro-

vided with a comfortable smoking room or library in which he could sit at his ease until a bell was rung to call him to the voting lobby.

There is, providentially, nothing of this sort in the municipal councils. Each department is controlled by a committee of councillors; and each committee elects its own chairman. The business of the department is brought before the committee by the Chief Clerk and the chief of the technical staff. The decisions of the committee are embodied in a series of resolutions. These resolutions form the report of the committee; and at the next meeting of the full council, the chairman rises and "moves his report": that is, he moves all the resolutions of the committee; and the Council adopts them or not, as it pleases. It happens quite commonly that an amendment is moved and carried; or the resolution is referred back for further consideration; or it is flatly rejected. But nothing else happens. The chairman may be disappointed or indignant; but he does not resign. The committee may sulk for a while; but it goes on just as before. The chairmen do not form a Cabinet in any sense. They do not all belong necessarily to the same party even when they are elected on party lines; for the party that is in a majority in one committee may be in a minority on another. In many bodies the custom is to give every party its share of the chairmanships; and in almost all, old members are allowed sooner or later to have their

turn in the chair without regard to their opinions and often without regard to their fitness for the duty, in which case the waste of time in committee is extremely trying to the more businesslike councillors. As to an appeal to the constituency by way of general election, it is out of the question. The councillors are elected for a fixed period ; and no action of the council, short of a resolution accepting the simultaneous resignation of all its members—a plan outside practical politics—can shorten or lengthen its own term of office.

Under these circumstances independence of thought and character is not strangled in municipal public life as it is in the House of Commons. When a recruit has once mastered the procedure and taken the measure of a municipal council, he can, if he has ability enough, make himself as much of a Prime Minister in ten minutes as the senior alderman. He can indulge in cross voting without stint. He can get a chairmanship quite as soon as he knows enough to be something more than the puppet of the officials. No doubt, if his ambition is fashionable, he will find the House of Commons a better address than the Town Hall. But if he values useful public activity and freedom of conscience, he will find a municipality enormously superior to parliament, unless his political talent or family influence is of a very unusual order.

It will now be asked why, under these tempting circumstances, it is so difficult to get efficient

candidates for the municipal councils. The root cause is no doubt that insisted on long ago by Plato: namely, that capable men understand too well how difficult and responsible public work is, to be particularly anxious to undertake it; so that the first qualification for public life ought to be a strong reluctance to enter it. It is no exaggeration to say that the strongest man can kill himself with overwork even on a town council if he attempts to do everything there is for him to do. A wise insurance company would prefer a cabinet minister's life to a municipal chairman's, if the chairman shewed any disposition to do his work thoroughly and seriously.

On the other hand, nothing is easier than to sit on a council and do nothing. The claim of the House of Commons to be the best club in London is far more questionable than the claim of the municipal council to be the best club accessible to most of its members. It is possible for a councillor to be stupendously ignorant and shamelessly lazy, and yet to be not only popular with his fellow councillors, but—provided he is a tolerably entertaining speaker—with the ratepayers also. He passes for a very busy public man when he is really only a sociable one, by attending all his committees and doing nothing on them.

There is at present no way in which the municipal fainéant can be brought to book, even if a community which does not pay for his services had any

right to make the attempt. Payment of directors' fees would not improve matters: the guinea-pig has been tried in private enterprise and found wanting. Still, there is a great deal to be said for payment of members of municipal bodies. It would make the voters much more jealous and exacting as to the personal qualifications and public industry of their representatives, besides producing some sort of consciousness that membership of a local authority really means useful work and not mere ceremonial. Far from substituting selfish motives for public ones, it would relieve municipal work from the reproach that men have no reasons but interested—not to say corrupt—reasons for undertaking it. It would give capable Labor leaders that training in public life without which they are apt to be socially dangerous in direct proportion to their ability and earnestness, and with which they stand so usefully for the whole community as well as for their own class against the sordidness and exclusiveness of the commercial classes and the social ignorance and thoughtlessness of the aristocracy. Labor representatives usually make excellent councillors, because they are much more severely criticized than their middle class colleagues. It is possible for a middle class councillor to sit on a municipality for twenty years in a condition of half-drunken stupor without exposure and defeat at the poll; but Labor councillors receive no such indulgence. As a rule they take their public business

very seriously; are free from the social pressure which leads to so much reciprocal toleration of little jobs and venial irregularities among the middle class men of business; have the independence of professional men without their class prejudices; are exceptionally sensitive to the dignity of sobriety and respectable conduct; and, as they usually pay inclusive rents, never deliberately shelve necessary public work because it may mean an extra rate of an eighth of a penny in the pound. Thus, oddly enough, the municipal Labor member generally finds himself in alliance with the councillors who are too rich to be penny-wise and pound-foolish, and with the professional men whose livelihood has always depended on their own personal skill, in opposition to the petty shopkeepers and employers whose cramped horizon and short-sighted anxiety to keep down the rates at all costs are the main stumbling blocks in the way of municipal enterprise.

The tyranny of the petty tradesman is a serious evil in municipal life. The municipal constituency is small—only a ward; and the bigger and more important the city, the fewer votes will secure a seat, because of the difficulty of inducing busy or fashionable people to vote at all: in fact, it is easier to poll a village to the last man than to poll 50% of the electors in a London ward. The squares and the slums have the same reason for not voting, because the city man, the laborer

and the artisan are alike in respect of not working at their homes; so that when they return home tired in the evening they will not turn out again in the raw November darkness, and trudge through the mud to the polling station at the request of that enthusiastic pest the canvasser. The result is that the smaller shopkeepers elect one another, since they can vote at any moment of the day by leaving their shops for a few minutes.

To canvass for this shopkeeping vote is an art in itself, and one which men of superior education and liberal ideas cannot be induced to study and practise. The small shopkeeper does not understand finance, nor banking, nor insurance, nor sanitary science. The social distinction between him and the working class is so small that he clings to it with a ferocity inconceivable by a peer, and will concede nothing to a laborer that is not either begged humbly as a favor or extorted by force of Trade Unionism. A proposal to give women living wages instantly brings before him a vision of "the girl at home," encouraged in uppishness, and asking another shilling a week. His pocket is so shallow that an extra penny in the pound appals him, not because it means an extra five or ten thousand pounds of revenue, but because it will cost him individually another half crown or five shillings. The fate of an intelligent candidate who does not use his speech to conceal his thoughts may be imagined. Very much more reasonable men than Coriolanus are

defeated at every election because they betray large views of municipal business instead of passionately affirming their own merits, vituperating their opponents recklessly, and flattering the follies of the most narrow-minded electors. And so, though a doctor may get in by the votes of his patients, and a minister of religion by those of his congregation and of his poor, the small shopkeeper is master of the municipal situation. His ideas rule all the urban local bodies. The 28 London Borough Councils are completely in his hands. Even when he finds in his own ranks men of remarkable shrewdness and some capacity for large ideas, he keeps them rigidly under his thumb; and they, knowing that an appeal to the more liberal classes would not be responded to, accept their servitude and become what the Americans call "ward bosses." We do not condescend to name them at all, vestrydom being too little considered to be worth an English terminology.

One remedy for this is to make voting as easy for the city man as it is for the local tradesman. Our plan of making an election as great a nuisance as possible to everyone concerned gives an overwhelming advantage to the man who has nothing to do but "slip round the corner and vote" in the slack moments of a business that actually consists of interruptions and intrusions. The barrister, the doctor, the man of science, the author, the financier, the head of a large business, cannot be disturbed in this way. If he cannot vote by post, preserving the

secrecy of the ballot by the familiar expedient of an outer and inner envelope, he will not vote at all. Even the laborer is now learning to meet the canvasser with "I will come if you send a carriage for me," thus creating a grievance for the candidate who has no carriages or carriage-keeping friends, and imposing an intolerable corvée on the people who do keep carriages, and whose friends borrow them for elections. A great deal of the apparent failure of democracy to secure the best available public representatives is really a failure to adapt our method of taking the vote to the convenience and susceptibilities of the more thoughtful and cultivated classes. We ignore the fact that what Plato said of the representative: that the reluctant and not the eager man—the man who feels the weight of a crown and not he who is dazzled by its glitter—should be chosen, has its application to the voter also. The partisan whom no weather and no distance can keep from the polling booth is not necessarily a better judge of a candidate than the man who has to be coaxed to undertake the very grave responsibility of choosing the government of the town for the next three years. Yet, far from coaxing him, we handicap him by arrangements which give a long start to political rancor, personal thickness of skin, and, above all, to the shop round the corner.

Still, there is something to be said for the petty tradesman. He is shrewd and effective enough when he is in his depth; and his local knowledge is indis-

pensable. The policing and sanitation of a city consist largely of a running fight with petty nuisances and abuses to which the gossip of a street is a better guide than the most comprehensive municipal statesmanship. When the absurdity of the present municipal areas forces us to reconstruct our whole scheme of local government, there will still be a place for local committees to deal with the small change of municipal life; and on these local committees the petty shopkeeper will be as useful as he is noxious on bodies whose scope far transcends his homely little outlook.

XII

CONCLUSION

The conclusion of this statement of the case for Municipal Trading leaves the reader still at the beginning of the subject, but, it is hoped, in an intelligent and unbewildered attitude. It will save him the trouble of a struggle with irrelevant rows of figures paraded to prove that municipal trade does not pay. It will also save him the trouble of reading ingenious attempts to confute these demonstrations from their own point of view; for he will understand that though the demonstrations may be erroneous in this or that instance, and though a Borough Treasurer may keep the municipal books in such a way as to give his accounts the utmost commercial plausibility, yet in the very cases where municipal trading is most profitable to the ratepayer, its departmental expenses are and ought to be greater, and its surpluses (if any) are and ought to be less than those of a private firm doing the

same work—nay, that when the municipality undertakes at a heavy departmental loss work that has previously been carried on by commercial contractors at a tempting commercial profit, the ratepayers are probably saving more by this apparently bad bargain than by the municipal gas works and tram lines which not only do not cost them a farthing out of pocket, but actually contribute hard cash to the rates as well.

On the other hand he will see that municipal statesmanship, far from having been simplified by a safe Socialistic formula, now requires from its Councillors much more knowledge, ability, and character, than the old system, which had a really simple formula in the rule : Do nothing that can be left to private enterprise. In our reassurance at the discovery that the bogey of increasing municipal indebtedness is only the comfortable phenomenon of growing municipal capital, we must not forget that overcapitalization is as possible, if not as probable, in public as in private finance, and that a councillor must not only be in favor of, say, a municipal supply of electric light, but must, when that point is carried, have sense enough not to buy more horse power than is necessary, nor lay a cable down a country road for the sole sake of the mayor's brother-in-law who has a villa at the far end, nor appoint a civil but unqualified young man as engineer merely because he is the sole support of his aged mother. On the other hand, he must not clamor for the

municipalization of the section of a great trunk line of railway that happens to cross his borough, nor press the Parks Committee to undertake the municipal breeding of elephants for the sake of having a Jumbo for the children to ride on. Every proposal to municipalize lies somewhere on the scale between these extremes, and must be judged in council, not according to a Socialist or Anti-Socialist canon, but according to its place on the scale, and always in view of the complicated social reactions analyzed in the preceding pages.

Now this is not work for the political partisans and convivial vestrymen who still look on an alderman's robe or a mayor's chain as the crowning ornament of a successful commercial career, and on a Council as a Masonic Lodge where members can make useful acquaintances and put valuable pieces of business in one another's way. Complete disinterestedness is neither an attainable quality nor a desirable one ; for it means complete indifference ; and an attempt to " purify " politics by getting rid of all personal motives is apt to end like an attempt to purify card playing by abolishing the stakes : the keenest lovers of the game for its own sake are the first to insist on stakes in order to make the others play carefully. A very little practical experience will convince the youngest idealist that the way to set a man to work, in public as in private, is to give him an axe to grind, and that nothing gets done until it becomes a job

for somebody. But there are axes and axes. One man, being a shopkeeper, seeks election because he hopes to establish a claim on the custom of the councillors (some of them heads of large establishments) with whom he will become intimate at the party meetings. When he is elected he will elect as mayor the man who will give the council two banquets a year, with champagne, rather than the strict teetotaller who will give one, with lemonade, or none. This naïve kind of interested motive is by far the commonest in English local public life. It does much more to stultify municipal politics than the rapacity of the slum landlord who seeks election to protect disorderly houses and to thwart the administration of the Housing and Public Health Acts, the chicanery of the country jerry builder who aims at preventing the adoption or hindering the administration of sanitary by-laws, and the intrigues of the publican to get on the rating committee so as to mitigate the tendency to assess public houses on ruthlessly high valuations. As a matter of fact, in large cities, the better sort of builders and landlords of good house property have exceptionally strong personal interests in good municipal government; and a respectable and successful publican without either ability or character is almost an impossibility; for the first man to be demoralized and ruined by a public house is the publican himself if his character is vulnerable. The really dangerous men are those whose motives are

so artless, petty, and familiar, that they are imperceptible ; and it is these simple souls, incapable of mental effort or social comprehension, who stand blamelessly in the way of all far reaching municipal action, whilst downright rogues will listen keenly to important proposals, and even support them vigorously if any pickings seem likely to come their way.

In short, for obstructive purposes, twenty sheep are more effective than fifty wolves. The moral is, not, of course, to elect rascals, but to prefer political motives, even when they are rooted in personal ambition, to commercial motives, convivial motives, snobbish motives, and especially to no motives at all. Purely political successes will serve the turn of a man who has the right temperament for public life quite well enough to make him work for the public good without any abnormal deficiency in selfishness, if the public will only let him. What really witholds capable and highminded men from public life is the ignorance and intense recalcitrance of the people who vote, and the discouraging indifference of the people who dont. This will continue to make democracy intolerable until we deliberately and carefully teach citizenship to our children. One intelligent voter is worth a hundred persons who made bad Latin verses in their teens, or enjoyed for one day in their childhood a more or less accurate recollection of a more or less accurate statement in a schoolbook as to the principal products of Sumatra.

Finally, it has, I hope, been made clear that the infancy of modern local government must no longer be hampered by our ancient parochialism. The injury done us by foreign frontiers, with all their cannon and all their custom houses, is as nothing compared to the waste and hindrance set up by our absurd municipal frontiers. A relimitation of the areas and reconstitution of the units of local government is the most pressing requirement made by municipal trade upon our constructive statesmanship. We will no doubt ignore the existing deadlock as long as we can; for we are slow to frame ourselves to new occasions: we still nail telephone wires to chimneys and copings exactly as a laborer's wife stretches her clothes line in the back yard; and the newest buildings so resolutely ignore the existence of the bicycle that it is positively easier to accommodate one in an XVIII century house than in a XX century one. But electricity is a potent force: it will shock British conservatism (a polite name for British laziness) out of its anachronisms if anything can.

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